No. 22225

# United States
# COURT OF APPEALS
## for the Ninth Circuit

JOHN J. McMULLEN ASSOCIATES, INC.,
*Appellant,*

v.

STATE BOARD OF HIGHER EDUCATION, et al.,
*Appellee.*

## BRIEF FOR APPELLEE

*Upon Appeal from the Judgment of the United States District Court for the District of Oregon*

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### EXPLANATORY REFERENCE

Appendix A clarifies the varying teminology used to describe the ship's stabilization anti-rolling

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DX—Defendants' (appellees') exhibits introduced at trial.
PX—Plaintiff's (appellant's) exhibits introduced at trial.
CT—Clerk's Transcript.
RT—Reporter's Transcript of trial of Jan. 4, 1967.
State Board—Appellee Oregon State Board of Higher Education, an appointive body controlling and administering all state supported colleges and universities in the State of Oregon.
OSU—Oregon State University (controlled by appellee State Board).
NSF—National Science Foundation.

tank which is accused to infringe the appellant's patents. In addition, Appendix A more fully identifies certain U. S. Government officials and agencies, as well as other organizations having pertinent relationship with the appellees and the appellant.

## STATEMENT OF THE CASE

The facts in this case are critical, because once they are understood, it will be clear that the appellees' allegedly infringing acts were done in furtherance of the purposes of the United States Government, and with the knowledge and consent of the Government. Thus, appellant's only legal recourse is against the United States in the Court of Claims pursuant to 28 U.S.C. 1498 for the appellant's just, reasonable and entire compensation.

Since the appellant's statement of the case omits many important non-controverted facts which clearly demonstrate that the United States did support, direct and influence the appellees' actions, a comprehensive outline of these facts is here set forth, together with a summary.

### Summary:

Pursuant to a grant agreement (DX 10) with the United States Government, Oregon State University (controlled by appellee State Board), had appellee Albina convert a Government surplus vessel, the FS 210, into the oceanographic research vessel YAQUINA, with funds supplied under such grant

agreement. During the conversion, OSU, through appellee Albina, and with the Government's consent and acquiesence, installed in the ship a stabilizing anti-roll tank that appellant alleges infringes four United States patents. Nominal title to and possession of the vessel YAQUINA were left with OSU so that the vessel could be used for oceanographic research. The vessel was so used *solely* for U. S. Government agencies pursuant to grant agreements and contracts with such agencies. The overall question is whether the case is properly brought in the District Court, or should it be brought in the Court of Claims under 28 U.S.C. 1498 because the appellees' activities constituted manufacture (conversion) and use of the vessel for the United States.

**Amplified Statement of the Case:**

The United States Government discovered in the 1950's that there was a serious deficiency in its store of basic oceanographic knowledge, which threatened the national defense and the general welfare (DX 71). Congress and the President therefore initiated a national oceanographic program (see DX 54 for chronology) to be carried out in part by universities acting pursuant to arrangements with Government agencies (DX 49).

The Trial Court outlined the commencement of OSU's activities in oceanographic research at page 2 (CT 182) of its Opinion, as follows:

"Oceanographic research was started at OSU

in 1954, financed at least in part by a contract with the United States Navy for performance of certain research projects. The research work required the use of a vessel, and in the early years of the program, OSU chartered small fishing vessels for this purpose. Later, OSU was permitted to use the ACONA, a U. S. Government vessel."

OSU's participation in the national oceanographic program grew rapidly. See page 1, DX 8, second paragraph which states:

"During the past five years the budget has grown from $10,000 a year to an approximated $500,000 a year and the staff from 2 to over 50." (Also see DX 573b).

The need for a larger vessel was stated in DX 8, page 1, third paragraph, as follows:

"Our research program has grown more rapidly than anticipated and has already outgrown the 80 foot, specially designed research vessel Acona, which was put in service in May, 1961. The department urgently needs a larger, more nearly all-weather vessel for the following reasons . . . (b) the rapidly expanding geophysical research program needs a larger, more *stable platform.* (c) We urgently need the ability to *operate* more nearly full time in the normally *bad operating weather* of the Northern Pacific ocean. Cruises cancelled because of weather delay all of the research programs." (Emphasis added).

A ship stabilization anti-roll tank would be helpful in allowing vessel operation in rough weather (RT 47, ll. 18-25).

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[1] DX 4.

**Negotiations with NSF for Larger Vessel:**

In February 1962 two proposals for a larger vessel were submitted by OSU to the National Science Foundation, a Government agency. The proposals, labeled Proposal I (DX 103) and Proposal II (DX 8) both contemplated in general terms a passive anti-rolling stabilization tank. Proposal I, for a new vessel, was subsequently dropped by OSU. Proposal II, at first rejected, was amended several times, with the second amendment contemplating the conversion of the FS 210 into the Yaquina. This amended Proposal II (DX 9) was formally accepted on June 7, 1963 by way of a grant instrument (DX 10), informal acceptance having been given earlier in the year.

Appendix B sets forth the negotiations in regard to Proposal II, the reference in these negotiations to the contemplated passive anti-roll stabilization tank, the assistance rendered by the Government in connection with the design of the tank, and the reference in these negotiations to appellant McMullen.

**Vessel Conversion:**

The grant agreement of June 7, 1963 (DX 10) provided for the conversion of the FS 210 by a "domestic shipyard," paragraph c, page 2 of DX 10.

Accordingly, OSU entered into a contract (DX 21) with appellee Albina Engine & Machine Works, Inc., on May 4, 1964 to convert the FS 210 into the oceanographic vessel YAQUINA.

The conversion work commenced on May 6, 1964. During the conversion work, a number of additions and/or alterations were made in the specifications all of which were approved by the Government, such matters being termed "Change Orders." One of these Change Orders, No. 6 (DX 22) included a drawing 3130-S11-3 (DX 591 a and b) which contained the specific details of the accused anti-rolling tank, which details were subsequently incorporated in the YAQUINA by appellee Albina. Change Order 6 was specifically approved by the Government by way of a letter dated August 28, 1964 (DX 220, and pretrial order, p. 10, Agreed Fact 31, CT 103).

**Use of the Yaquina:**

The conversion work was completed in September 1964. In October 1964, the YAQUINA was put to work by OSU performing basic research in oceanography *solely* for the United States, primarily for three Government agencies, the Department of the Navy, the Atomic Energy Commission and the National Science Foundation, as well as lesser amounts of work for the Public Health Service (DX 28, 39, 371).

All the operating and maintenance expenses for the YAQUINA (as well as for the ACONA) were paid for by the United States Government (RT 124, DX 376, DX 14, and DX 16).

In order to make certain that OSU's operation and use of the YAQUINA for the Government was

not interfered with by way of patent infringement suits, the Government through three Government agencies supplemented its previous consent with three papers, DX 1 from NSF, DX 2 from the Navy, and DX 3 from the AEC, such papers specifically consenting to the

> "past, present and future manufacturing and use of the YAQUINA in performing oceanographic research under the national oceanographic program shall be construed as manufacture and use for the United States. . . ." (DX 1, p. 2).

**Pleadings:**

In May 1965, appellant brought suit only on patent 3,054,373 against appellee State Board (which controls OSU), the State Board members, the President of Oregon State University, Wayne V. Burt, who was chairman of the Department of Oceanography at OSU, and Howard A. Linse, who is the master of the accused vessel YAQUINA.

The defendants filed a motion on July 19, 1965, to dismiss the complaint, or in the alternative for summary judgment because of the license (DX 7) under patent 3,054,373 and for other reasons.

Subsequently, on September 15, 1965, the complaint was amended to add three other patents relating to passive anti-rolling tanks and stabilization devices, and to add counts of unfair competition and trademark infringement, and to also add Albina Engine & Machine Works, Inc., as a defendant.

Appellees by way of answer filed September 9,

1966, made a defense that the suit was improperly brought in the District Court of the United States, and should instead have been brought against the Federal Government in the United States Court of Claims under 28 U.S.C. 1498 because this act provides that a patentee's *exclusive* remedy against private parties accused of patent infringement shall be in the Court of Claims in those cases where the private party's manufacture or use of an invention is for the Federal Government with the Government's consent or authorization, and that this situation existed in the present case.

The Trial Court heard the parties on January 4, 1967 on the special defense of 28 U.S.C. 1498 and the Court found for the appellees, i.e., that the suit should be brought in the Court of Claims, and dismissed the suit.

## QUESTIONS ON APPEAL

1. Was the conversion (manufacture) and use of the YAQUINA and its anti-rolling tank for the Government with its consent or authorization?

2. Is there any difference in substance between a "grant" and a "contract"?

3. Was the dismissal of appellant's fifth cause of action proper?

4. Was the dismissal of appellant's sixth cause of action proper?

## SUMMARY OF ARGUMENT

Appellant has failed to show that the findings of the Trial Court were clearly erroneous, which it must do in order to overturn such findings.

The Trial Court correctly dismissed the suit under 28 U.S.C. 1498 because the Federal Government consented to and authorized the manufacture and use of the YAQUINA and its anti-rolling tank, and such manufacture and use were clearly "for the Government" because:

1. The Federal Government discovered that national defense and general welfare were being impaired by a serious lag in oceanographic research, and determined that it was in the vital interests of the U. S. to overcome this lag.
2. The Federal Government determined that a rapid expansion, with federal funding and federal direction, of the oceanographic program at academic institutions was an important step in overcoming the oceanographic lag, and OSU was selected for rapid expansion.
3. The Federal Government determined that an important step in the expansion program was to increase the ships available for operation by academic institutions.
4. In order to provide OSU with the basic research tool of oceanography, a ship, the Federal government supplied OSU a Government

surplus vessel and the funds to convert such vessel into the oceanographic research ship YAQUINA according to plans approved by the NSF and by other concerned Government agencies.

5. OSU had a domestic shipyard, appellee Albina, convert the surplus vessel into the oceanographic ship YAQUINA in accordance with terms of a grant instrument with the Federal Government.
6. The vessel YAQUINA was thereafter used solely for carrying out oceanographic research for the Federal Government under existing and subsequently issued contracts and grant agreements between OSU and the Government.
7. The Government, and only the Government, provided funds for the operation and maintenance of the YAQUINA.
8. The Government required and received from OSU reports on the scientific information gained through the research services performed on the YAQUINA for various Government agencies.

The relationship between OSU and appellee Albina in regard to the conversion of the YAQUINA was precisely in accordance with the grant agreement between OSU and the NSF, and such relationship does not establish that Albina's efforts were for OSU rather than for the Government, because OSU was following the Government's instructions in its dealings with appellee Albina.

The leaving of nominal title to the vessel in OSU subject to stringent controls by the Government is in no way inconsistent with the manufacture and use of the YAQUINA (and its anti-rolling tank) being for the Government, and is actually a matter of form rather than substance.

28 U.S.C. 1498 is not restricted to procurement by the Government, and even if it were, the Government in the present case obviously procured the YAQUINA and its anti-rolling tank for the performance of oceanographic research services and such services were, in fact, carried out in accordance with contracts and grant agreements between OSU and various Government agencies.

The Navy's contracts for research services performed by OSU called for research work, which, in regard to the specificity and the type of the work to be done, was no different from that called for by the grant instruments between OSU and NSF, and performance of services for both agencies is obviously for the Government.

There was no gift of funds to OSU by virtue of the grant instruments between OSU and NSF.

The Trial Court's decision is not in conflict but is clearly in accord with decisional law. There is no merit whatsoever to the appellant's argument that the Trial Court's opinion is unclear in regard to the dual requirement of 28 U.S.C. 1498.

Appellant's charges that it was deprived of its

property without just compensation and without due process of law and its charges of unfair competition and trademark infringement are simply attempts by appellant to harass appellees, contrary to the spirit and intent of 28 U.S.C. 1498.

## ARGUMENT

### I

### The Appellant Has Failed to Show That the Findings of the Trial Court were Clearly Erroneous.

The many differences between appellees' and appellant's statement of facts show that there is a dispute as to the facts. In addition, appellant's view of the facts is not believed to be entirely consistent with the findings of facts of the Trial Court (such findings being incorporated in the Trial Court's Opinion).

It is clear that the Trial Court's findings "shall not be set aside unless clearly erroneous" (Rule 52 of the Federal Rules of Civil Procedure). To the extent that appellant's version of the facts are inconsistent with the findings of the Trial Court, the Trial Court's findings are binding unless clearly erroneous.

### II

### Appellees Do Not Seek to Deprive Appellant of Compensation for Use of Its Patents, But Insist That Appellant Should Go to the Court of Claims for Its Reasonable and Entire Compensation.

The purpose of 28 U.S.C. 1498 is to enable the Government's programs to proceed without being tied

up in the District Courts in litigation by a patent owner against those non-federal persons, firms and organizations who carry out programs on behalf of the Government. Thus, 28 U.S.C. 1498 bars the patentee from recovering in the District Court against "a contractor, subcontractor or any persons, firm or corporation" involved in carrying out Government programs. It follows that the patentee must seek his remedy in the Court of Claims against the United States.

It is thus clear that appellees are not in any way seeking to deprive appellant of compensation for any use of its patents. To the contrary, if any of appellant's patent rights have been violated, it can and should obtain complete and entire compensation for such use in the Court of Claims pursuant to 28 U.S.C. 1498.

## III

### The Substance of the Relationship Between Appellees and the Federal Government Shows That Appellees' Actions Were for the Federal Government.

As shown in the Statement of the Case, the Federal Government supplied Oregon State University with a surplus vessel, the FS 210, and the funds to convert the vessel into the oceanographic research ship YAQUINA, approved the plans for conversion of the ship and its anti-rolling tank, paid for all the operating and maintenance expenses of the vessel, and the vessel was used solely by OSU for performing

oceanographic research in accordance with contracts and grant agreements with federal agencies. What could be clearer than that the conversion and use of the ship were for Government purposes. As the Supreme Court said in *Tcherepnin* v. *Knight*, 88 S. Ct. 548 (1967) at page 553:

> "Finally we are reminded that in searching for the meaning and scope of the word 'security' in the Act, *form should be disregarded for substance* and the *emphasis should be on economic reality.* S.E.C. v. W. J. Howey Co., 328 U.S. 293, 298, 66 S. Ct. 1100, 1102, 90 L. Ed. 1244." (Emphasis added).

Do appellees need say more?

## IV

### The Trial Court Correctly Dismissed the Suit under 28 U.S.C. 1498 Because the Manufacture and Use of the Yaquina and Its Anti-Roll Tank Were Clearly for the Government with Its Consent and Authorization.

Section 1498 of Title 28 of the United States Code provides that a charge of patent infringement must be brought in the United States Court of Claims for the patentees *entire* remedy in those cases where the accused structure is manufactured or used for the Government with the Government's consent or authorization. The pertinent portions of 28 U.S.C. 1498 are set forth as follows:

> "(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States

without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the Court of Claims for the recovery of his reasonable and *entire compensation* for such use and manufacture.

"For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, *shall be construed as use or manufacture for the United States.*" (Emphasis added).

There are thus only two points to consider: (A) was the manufacture and use of the YAQUINA (and its anti-roll tank) for the Government, and (B) did the Government give its consent and/or authorization to such manufacture and use. The Trial Court found in the affirmative on both points and stated at page 6 of its Opinion (CT 186):

"From the evidence in the case at bar, the Court concludes that (1) oceanographic research, including 'basic' research of unknown practical application, has been recognized by the legislative and executive branches as vital to the interests of the U. S. Government; (2) the conversion and use of the YAQUINA, including the manufacture and use of the stabilization tank, were to equip it for such research, and therefore were 'for' the Government; and (3) both the manufacture and use of the stabilization tank were with the authorization and consent of the Government."

The appellant admits (page 15 of its appeal brief) that the Government gave its consent and authorization[2] for the conversion and use of the YAQUINA and its anti-roll tank but denies that these were "for the Government."

The Court's specific findings in support of its Opinion that the conversion and use were "for the Government" are incorporated in appellees' arguments, which are discussed hereinafter under eight headings labeled A through H.

**A. The Federal Government discovered that national defense and the general welfare were being impaired by a serious lag in oceanographic research, and determined that it was in the vital interests of the U. S. to overcome this lag.**

The U. S. Government, through studies by the Executive Branch and Congressional hearings, discovered in the 1950's that there was a serious gap between its store of basic oceanographic knowledge and that of other principal countries of the world. Many of the pertinent studies and documents showing this gap and its seriousness are listed in a federal pamphlet entitled "Abridged Chronology of Events Related to Federal Legislation of Oceanography 1956-1965" (DX 54). One of the prominent papers listed is Senate Resolution 136 (DX 71) wherein at page 11395 it is stated:

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[2] The full measure of OSU's disclosure to the Government and the Government's authorization and consent are evident from Appendix B of this brief.

"Resolved, That the Senate—

(1) commends the report of the Committee on Oceanography to the President, the Bureau of the Budget, and to the heads of the five departments and nine agencies which would participate in the ten-year program of oceanographic research recommended by the Committee, for their study and consideration with a view to *overcoming this Nation's lag* in this scientific field, and urges their support of a comprehensive plan that will assure the United States permanent leadership in oceanographic research;" (Emphasis added).

The Trial Court, commencing at page 6 of its Opinion (CT 186) found that:

". . . (1) oceanographic research, including 'basic' research of unknown practical application, has been recognized by the legislative and executive branches as vital to the interests of the U. S. Government; . . ."

* * * * *

"The prime indication that 'basic' oceanographic research has been recognized as serving vital interests of the U. S. Government is the dedication of substantial sums of government funds in support of such research. That conclusion is also indicated by reports of government agencies and transcripts of Congressional hearings which are in evidence. The ten-year plan for support of oceanographic research, published in 1963 by the Inter-agency Committee on Oceanography of the Federal Council for Science and Technology, lists some of the goals of government support for oceanographic research. They in-

clude the improvement of national defense, the utilization of the sea as a source of food and other resources, the possibility of using the sea for disposal of nuclear wastes, the safeguarding of public health, and the safeguarding of lives and property from storms at sea and from dangers to navigation. But at the head of the report's list of goals is the strengthening of basic science through the sponsorship by the Government of 'basic' research of unknown practical application. Of such research, the report states:

> 'We know from experience in war, in tough economic competition, and in man's fight for a life free of poverty and disability that research pays. It is the Federal Government that, in oceanography as in other fields, has strengthened basic research to provide the reservoir of intelligence needed to satisfy specific practical objectives. It must thus assume some responsibility for training and educating highly skilled manpower that it consumes, including the sponsorship of basic research undertaken by graduate students and their faculty advisors.'

*The Court therefore concludes that basic research in oceanography has been recognized by the legislative and executive branches as serving vital interests of the U. S. Government.*" (Emphasis added).

The appellant apparently agrees with the Court's findings on the point discussed above, because on page 21 of its brief before this Court, the appellant (plaintiff) states:

"Plaintiff does not take issue with either one of these conclusions, . . ."

One of these conclusions (actually a finding of *fact*) was the Trial Court's finding (1) quoted above.

**B. The Federal Government determined that a rapid expansion, with federal funding and federal direction, of the oceanographic program at non-profit institutions was an important step in overcoming the oceanographic lag, and OSU was selected for rapid expansion.**

Evidence of the Federal Government's position on the necessity of expansion of oceanographic research can be seen in Senate Resolution 136 (DX 71) which found that:

". . . *expanded studies* of the oceans and the ocean bottoms at all depths are *vital* to defense against enemy submarines, to the operation of our own submarines with maximum efficiency, to the rehabilitation of our commercial fisheries and utilization of other present or potential ocean resources, to facilitating commerce and navigation, and to expand our scientific knowledge of the waters, and phenomena which affects climate and weather;

". . . several other nations, particularly the Union of Soviet Socialist Republics are presently conducting oceanic studies of unprecedented magnitude . . . .

* * * * *

(3) concurs in the recommendations of the Committee on Oceanography that—

(a) basic oceanographic research be immedi-

ately *expanded* and at least doubled within the next ten years;" (Emphasis added).

The strong interest of the Navy in expanding oceanographic research is outlined in Project TENOC, "The Next Ten Years in Oceanography, A Survey of the Growth Potential at Existing Institutions" (DX 46a) issued in October 1958. Pertinent excerpts are as follows:

"1. The enclosed program explains how the Navy can *expand* the current effort in oceanographic research during the next ten years.

2. The ocean is interposed between every system developed for the operation and detection of submarines and mines, and the successful application of these systems. . . . Oceanography forms the broad platform of knowledge which must be strengthened in order to support the applied problems facing the Navy.

* * * * *

"The United States Navy has a unique opportunity to supervise and foster the proper development of oceanography. Steadily increasing sponsorship should help ready us to nullify any threat from the seas." (DX 46a, Preface).

In the third paragraph of the TENOC report on page 1 (sheet 5) it is stated:

"Only the major civilian laboratories have been included and no recommendations have been made concerning the Navy's laboratories."

At the lower part of such page it is stated:

"The following report was compiled by the authors as the culmination of their long felt need for steadily increasing emphasis on oceanography by the Navy. The directors of the laboratories discussed were consulted as a matter of formality *to determine whether they would or would not be willing to expand in size.*" (Emphasis added).

The NASCO[3] Report (DX 48) which was favorably reported on in Senate Resolution 136 (DX 71) strongly recommended a rapid expansion of the oceanographic program at academic institutions as being necessary to overcome the oceanographic lag. The following quoted sections from the NASCO Report show this:

"Private foundations and universities, industry and state governments should all take an active part in the recommended program of expansion." (DX 48, Ch. 1, p. 8).

"5. Academic Association: The vigor and well-being of our universities is essential for the continued leadership of U. S. science. . . . *Appropriate research facilities must be available at the universities* and under their controls.

"Universities also are experienced in offering tenure positions to key personnel and in guarding these positions against capture by inferior persons. It would strengthen the national scien-

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[3] The National Academy of Science is a private, non-profit organization which is required by its charter to serve as science advisor to the Federal Government. The so-called NASCO Report (DX 48) by its committee on oceanography was requested and financed by several Government agencies.

tific establishment greatly if *a large fraction of the basic research in all fields of science could be under university administration.* . . . .

"As a corollary, the Committee recommends against building major research facilities for oceanography outside the nation's university system." (DX 48, Ch. 2, p. 4 Emphasis added).

In some of the earliest reports recommending the national oceanographic program, Oregon State University Department of Oceanography was mentioned as one of the facilities to help carry it out and was marked for special development under it.

The NASCO Report (DX 48) for 1959, discussing the activities of the ONR directed toward fostering research stated:

"Furthermore funds were provided for the development of new laboratories. In this way (and with continued help from the Bureau of Ships), the existing laboratories were strengthened and some new laboratories were encouraged to evolve.

"*Postwar Growth*

New laboratories developed after the war include . . . the Department of Oceanography at Oregon State College . . ." (DX 48, Ch. 11, p. 15).

One of the institutions selected for expansion by the 1959 TENOC report (DX 46a, pp. 22, 23) was Oregon State College (now Oregon State University). The program being carried on at Oregon State at the time of the TENOC report showed an annual budget of only $10,000, with the Navy providing

90% of the total, and a total staff of only 4 persons. The Navy recommended at pp. 22, 23 of DX 46a:

1. That research studies should be made.

2. That personnel increase should be made.

3. That vessels should be added—specifically that a 60-65′ boat, an Army T boat should be made available for coastal work—cost $250,000.

It is clear therefore that the direction for expansion of OSU's activities in oceanographic research and the funds for that expansion came from the Federal Government, and the purposes of the direction and funds were to shape OSU into a vehicle for carrying out vital national oceanographic research.

The support by the Federal Government for the oceanographic program at OSU is not only evident from DX 573b, but is set forth in the pretrial order in the form of Agreed Fact 12 (CT 100), which discloses that from 1954 through 1965, the Federal Government provided $7,249,175, while Oregon State University provided only $467,190 or less than 7% of the total of the support of the Department of Oceanography.

**C. The Federal Government determined that an important step in the expansion program was to increase the ships available for operation by universities.**

The Trial Court, at pages 2 and 3 (CT 182 and 183) of its Opinion, stated:

"Governmental support of oceanographic research was substantially expanded in 1959 with the establishment of a special agency to coordinate the activities of the many government agencies which benefit from and sponsor oceanographic research. The ten-year plan published in June of 1963 by that agency, (which is in evidence) states that one of the ways such support would be implemented in the decade following 1963 is by the *addition of seagoing research vessels to the fleets* of private laboratories and *university departments*, using NSF and Navy funds." (Emphasis added).

The "special agency" is the Interagency Committee on Oceanography and the ten-year plan referred to by the Court is DX 49, entitled "Oceanography—The Ten Years Ahead."

The national oceanographic program set as one of its major goals the building of a fleet of oceanographic research ships to carry out the research envisaged by the program.

The NASCO Report (DX 48) stated:

"Of particular importance among the facilities are ships, which are to the oceanographer what cyclotrons or reactors are to the nuclear physicist. He simply cannot undertake adequate research without them." (DX 48, Ch. 1, p. 5)

* * * * *

"6. Facilities: Ships, wharfs, and laboratories are required if any of the existing oceanographic research institutions are to be expanded. These facilities are too expensive to be funded, on the necessary scale, from non-federal sources.

Consequently, a high proportion of the cost of constructing and operating these facilities must be provided by the federal government." (DX 48, Ch. 2, p. 4).

* * * * *

"1. Basic Oceanographic Research Ships

These are the ships being used by the various private laboratories, but their operations are largely supported through government contracts. . . . These are the ships that are doing most of the basic research, that represented our country during the IGY, that are developing new techniques and methods, and that are producing the ideas and observations on which advanced design weapon systems in undersea warfare are based to a considerable extent. . . .

If oceanography is to grow at the rate of about 10% per year for the next 10 years, and such is the primary conclusion of this report, then it will be necessary not only to double the number of ships engaged in basic research, but also to give them improved capabilities.

". . . *Since this is the activity on which the effectiveness of all the rest of the program depends, first priority must be given to the construction of research ships.* Without a stockpile of basic research information the more routine activities of the other classes of ships will not keep us in the forefront of marine science." (DX 48, Ch. 6, p. 7).

Senate Resolution 136 (DX 71) urged that:

"(e) research fleets of the various agencies and institutions engaged in basic or applied oceanographic research, of which most of the ves-

sels are old and obsolete, be replaced by modern ships adopted to oceanwise scientific studies and furnished with advanced scientific equipment, and that the number of ships be increased substantially;" (DX 71, Congr. Record, p. 13455).

**D. In order to provide OSU with the basic research tool of oceanography, a ship, the Federal Government supplied to OSU a government surplus vessel and the funds to convert such vessel into the oceanographic research ship Yaquina according to plans approved by the Federal Government.**

When it became evident to OSU that the Navy vessel Acona was inadequate to handle the oceanographic research load which OSU was performing for the Navy and NSF, OSU made inquiries and found that the NSF had funds available for ship construction and negotiations were begun with that agency. That the NSF, rather than the Navy, had such funds available was in accordance with Section 4 of the Executive Order 10521 (March 17, 1954, 19 F.R. 1499, as amended by Executive Order 10807, Sec. 6b, March 13, 1959, 24 F.R. 1899), which stated:

> ". . . The Foundation shall be increasingly responsible for providing support by the Federal Government for a general-purpose basic research through grants and contracts."

A number of proposals and amendments were made to the NSF in connection with a larger research vessel. Appendix B shows the chronology of the negotiations and shows that a second amendment (DX 9) to Proposal II for the conversion of a surplus FS

vessel was accepted by the NSF. The FS vessel was released from the Government surplus stocks to OSU for use for educational and scientific purposes (DX 588), and the money for its conversion was provided by the NSF under the grant agreement instrument DX 10 and supplemental paper DX 12. The conversion was to be in accordance with plans which had been approved by the NSF and by other concerned Government agencies.

An examination of the record demonstrates the close involvement and supervision of the Government in the selection of the FS hull and in the design and conversion of that hull into the YAQUINA. Under the terms of the grant agreement (DX 10), the plans and specifications for the conversion were required to be approved by the NSF, which also had the right of inspection. The plans and any changes in them were in fact so approved. In addition to NSF approval, the plans and specifications were examined and suggestions made concerning them by the Navy Bureau of Ships (DX 144), the Maritime Administration (DX 595), and the Bureau of Commercial Fisheries (DX 89). Thus, the Government, by these inspection and approval requirements, retained close control of the conversion of the FS 210 into the YAQUINA sufficient to assure that the YAQUINA would be able to fulfill its function as a member of the national fleet of oceanographic research ships.

It is obvious then that it was the policy of the

United States Government to establish a fleet of oceanographic research ships as the prime instruments for providing the oceanographic knowledge needed for Government purposes and that these ships were to be under the operation and nominal ownership of certain non-profit (university) laboratories, upon which the Government relied to carry out much of the federal oceanographic program. Further, it is obvious that the YAQUINA was intended by the Government to be part of this national research fleet, because the Government provided the hull, money for conversion, consultation on, approval and supervision of the conversion process of the YAQUINA and further provided that she should be used only for basic research.

**E. OSU had a domestic shipyard, appellee Albina, convert the surplus vessel into the oceanographic ship Yaquina in accordance with the terms of the grant instrument with the Federal Government.**

The record is clear that the Government surplus vessel FS 210 was converted into the oceanographic ship in accordance with the terms of the grant instrument (DX 10) between OSU and the Federal Government. The grant instrument specifically outlined the procedure that OSU should follow in converting the FS 210, namely, through a "domestic shipyard" (DX 10, p. 2, paragraph c), and set forth that bids for conversion should be solicited, and that a contract should be entered into by OSU with a contractor who would perform the conversion work.

OSU followed the dictates of grant instrument (DX 10) and on May 4, 1964 entered into a contract (DX 21) with appellee Albina for the conversion work. Agreed Fact 32 of the pretrial order (CT 103) states:

> "32. Between the dates of May 6, 1964, and September 28, 1964, defendant Albina converted the FS 210 into the research vessel Yaquina for the State Board pursuant to the Agreement dated May 4, 1964."

The May 4, 1964 Agreement is DX 21, referred to above.

**F. The vessel Yaquina was thereafter used solely for carrying out oceanographic research in accordance with existing and subsequently issued contracts and grant agreements between OSU and the Government.**

After being commissioned, the YAQUINA was used *solely* for carrying out oceanographic research for the United States Government, particularly for the Navy Department, NSF and Atomic Energy Commission, with a minor amount done for the Public Health Service (DX 28, 39, 371, 573b). The Trial Court refers to the uses of the YAQUINA at page 4 (CT 184) of its Opinion.

In addition, Dr. Burt testified at RT 97 that the vessel had been used solely for oceanographic research for U. S. Government projects.

In addition, DX 28, 39 and 371 show in graphic form the use of the YAQUINA, DX 28 showing the number of days that the research vessel was used

for each of the three primary users during the first three years of operation up until August, 1966, the Navy, NSF and AEC. DX 39 is a series of tables which was prepared for federal auditors showing the use of the ship during any one of the cruises in terms of fractions of a day for any one of the principal users, the Navy, NSF and AEC.

### G. The Government, and only the Government, provided funds for the operation and maintenance of the Yaquina.

The operation and maintenance costs of the YAQUINA were paid solely by the Federal Government (DX 376). This was testified to by witness Burt at RT 124 as follows:

> "THE COURT: Well, all of the operating costs have been paid by these three agencies since the vessel was commissioned, although it is possible in the earlier days the percentages may have been different?
>
> THE WITNESS: Correct, sir; yes."

In the Trial Court's Opinion at page 4 (CT 184), the Judge states:

> "The costs of operation and use of the vessel have been financed approximately as follows: 50% by grant from the NSF; 40% under research contracts with the Navy; and 10% under contracts with the Atomic Energy Commission ('AEC')."

In addition, all the research work done aboard the YAQUINA was paid for by the Federal Govern-

ment and was done pursuant to contracts and grant agreements with the Federal Government (DX 573b). The bar graph "Distribution of Time at Sea of Yaquina (Sept. 1964-Aug. 1966)" (DX 28) clearly shows that all research done aboard the YAQUINA was under the auspices of various federal agencies.

**H. The Government required and received from OSU reports on the scientific information gained through the research services performed on the Yaquina for various Government agencies.**

The Government required that the results of all research work done for it under grant agreements be incorporated in reports furnished to the Government.

The requirements of the NSF for reporting are set forth in each research grant instrument. In the earlier years, a typical requirement is set forth in the letter of September 29, 1964 from the NSF to Wayne V. Burt (DX 337) wherein Section 2 requires:

> "A final technical report at the termination of the work."

The third section of DX 337 specifies that four reprints of all publications that result from the work supported by the grant are to be furnished to NSF.

Reporting requirements for later grants, such as DX 348 were controlled by DX 60 which states:

> "A short informal annual report and a more comprehensive report at the termination of the

grant are required. When the grant is for a period of one year or less, only a final report is required. It is requested that the final report contain a chronological bibliography of all publications resulting from the work aided by the grant. Four reprints of each publication should be provided as soon as such reprints become available. If adequate to serve that purpose, they may be submitted in lieu of annual reports. The Foundation would appreciate being informed of any results of unusual interest whenever they occur. . . . .

*Fiscal Reports*

"Interim fiscal reports are required annually, regardless of whether any funds have been spent during that period for each grant, in addition to a final fiscal report. . . . The final fiscal report should be forwarded to the Foundation within 90 days after work under the grant has been completed."

DX 199 (Contract No. AT (45-1) 1750 between the AEC and OSU, dated June 22, 1962, controls reports to the AEC.

The contracts with the Navy contained requirements that reports be rendered in a manner similar to those of the NSF and the AEC.

OSU did in fact report to the Government agencies on its research work (RT 105 and 106), as is evidenced by typical reports DX 613, 614, 615, 616, 617, 618 and 619.

## ARGUMENTS COUNTERING THOSE OF APPELLANT

### I

### Appellant's Arguments That the Manufacture and Use of the Yaquina and Its Anti-Rolling Tank are Not for the Government But for OSU are Based on Matters of Form, Not Substance.

Appellant sets forth eight points at pages 19-21 of its brief why the manufacture and use of the YAQUINA and its stabilizing tank were not for the Federal Government. Of the eight points, the first five argue that since OSU's name appears on various contracts, solicitation for bids, etc., the actions of the appellee Albina, the contractee shipbuilding firm which did the conversion work on the YAQUINA, were for OSU rather than for the Federal Government. In other words, appellant's argument is that a name on a document determines all the legal realities of the relationships involved. This is nonsense. All the relevant circumstances of the situation must be considered. Appellant plainly ignores the fact that the actions of OSU in relation to appellee Albina were determined and controlled by the terms of the grant agreement DX 10 between OSU and the National Science Foundation. That agreement provided as a special condition on page 2 thereof:

> "c. The converting and outfitting of the vessel will be performed by a domestic shipyard and in conformance with a Buy American Act (41 U.S.C. 10a-d)."

It is evident that the selection of appellee Albina, a domestic shipyard, fulfilled the conditions set forth by the Government.

Appellant's third point, complaining about the advertisement for bids being in the name of OSU, is similarly totally without merit for the above reasons. The manner of solicitation of bids for the conversion work was controlled by the grant agreement (DX 10), and the fact that the solicitation for bids was done in the name of OSU was a mere technicality. Paragraph "b" on page 2 of DX 10 sets forth that the manner of solicitation of bids shall be controlled by NSF and states:

> "b. The grantee will submit detailed plans, drawings and specifications for converting and outfitting, together with detailed cost estimates based thereon, for approval by the Foundation prior to solicitation of bids. The grantee will also submit for concurrence by the Foundation:
>
> (1) criteria for the selection of a contractor,
>
> (2) proceeds for the solicitation of bids, and
>
> (3) procedures for supervision and inspection of the converting and outfitting."

OSU complied with the requirements of paragraph b set forth above, by way of a letter of November 27, 1963 (DX 206). In a reply letter of December 26, 1963 (DX 87), the Federal Government stated:

> ". . . the Foundation concurs with your criteria for selection of a contractor, *procedures for solicitation of bids*, . . ."

> "The Foundation also approves your plans and specifications as submitted, subject to whatever modifications are necessary after your consideration of the enclosed comments of the Maritime Administration and those of the Bureau of Ships and Bureau of Commercial Fisheries previously forwarded." (Emphasis added).

In summary then, in regard to appellant's first five points, OSU was simply complying with the terms of the grant agreement DX 10 in contracting with appellee Albina in OSU's name. It is evident thus that OSU was merely acting as an agent of the Government and pursuant to the exact terms of the grant agreement.

It is further pointed out that 28 U.S.C. 1498 nowhere requires that the Federal Government's name must be on all documents and agreements involved in work done under an arrangement with the Government. In fact, the protection of section 1498 is obviously intended to cover both direct and indirect relationships with the Government because it refers to actions of:

> "a contractor, a subcontractor or any person, firm or corporation for the Government. . . ."

Thus, 28 U.S.C. 1498 contemplates covering organizations and persons acting at several steps removed from the Government, as long as they are acting "for the Government." Neither the law nor the cases hold that the name of the Federal Government has to appear on any particular document in order for the ac-

tion pursuant to that document to be "for the Government."

By way of points 6, 7 and 8 on pages 20 and 21 of appellant's appeal brief, appellant asserts that OSU *owned* the YAQUINA and thus the YAQUINA could not be manufactured or used "for the Government." The reasoning behind this is not clear and appellant cites no law to support its point. OSU could well have owned the YAQUINA outright and still *used* it *for the Government* and this alone would be sufficient to dispose of the case.[4] In any event, however, OSU *did not own* the YAQUINA. It had only nominal title subject to powerful controls by the Government. As the Trial Court said at pages 7 and 8 of its Opinion (CT 187, 188):

> "On the question of whether the conversion and use of the YAQUINA, and the manufacture and use of the tank were 'for' the government, plaintiff points out that title to the vessel passed to the State of Oregon when the vessel was transferred from the Government; that Customs and Coast Guard documents since that time show the State as owner of the vessel; and that a state agency contracted for the conversion of the vessel for research purposes and was responsible for paying the costs thereof. From this, plaintiff concludes that the conversion and use of the vessel, and the manufacture and use of its stabilization tank, were 'for' the State, not the U. S. Government.
>
> * * * * *

[4] See Appendix C for a development of this argument.

> "The Court concludes that to accept these arguments would be to permit the *form of the relationship* to govern *while ignoring the substantive interests* involved. While it may be true that for some purposes the State held title to the vessel, the grants under which the vessel was acquired and under which the conversion was made imposed *severe limitations upon the State's ownership.* Those restraints, as discussed above, included restrictions upon the use of the vessel and against any disposal of the State's interest in the vessel without the consent of the U. S. Government." (Emphasis added).

For a more complete discussion of the full measure of Government control over the YAQUINA, see Appendix D of this brief.

## II

### Appellant's Argument that 28 U.S.C. 1498 is Limited to "Procurement" is Not Supported by the Act or by Decisional Law.

At pages 14 and 15 of appellant's brief, appellant argues that 28 U.S.C. 1498 applies only to "procurement of goods and services." Appellant never defines what he means by "procurement." The word does not appear in 28 U.S.C. 1498. This code section requires only that the manufacture or use be "for the Government" with its authorization or consent.

In any event, the case cited by appellant to support its position *totally fails* to do so. The Comptroller General in 38 Comp. Gen. 276, 119 USPQ 187 (1958) was merely answering an inquiry by the

Secretary of the Air Force. The Air Force had been obtaining oxygen masks from a company that had a license under certain *method* patents of Roberts which were used in producing the masks. When bids were put out for a further supply of oxygen masks, the low bidder was Herbert Cooper Company, which did not have a license under the Roberts' method patents. The Air Force was convinced that the manufacture of the masks would entail infringement of the Roberts' method patents. To avoid patent infringement difficulties, the Air Force pleaded with the Comptroller General that the Air Force be permitted to continue obtaining the masks from a licensee under the Roberts' patents. The Air Force argued that the Comptroller's previous decision of August 25, 1958 was too broad and that the Air Force should be allowed to purchase from a licensee who made a higher bid, in cases where there was no doubt as to the validity of the patents concerned. The August 25th decision held that the Air Force must purchase from the lowest bidder regardless of its patent position.

In his opinion of 38 Comp. Gen. 276, 119 USPQ 187 (1958), the Comptroller General decisively rejected the Air Force's request and fully reinforced his decision of August 25, 1958 and held the Air Force *must* make an award to the lowest bidder, whether or not he had a license. Since the case involved procurement of oxygen masks, naturally the Comptroller General made *reference* to procurement of articles. There was absolutely no intent in the decision that

28 U.S.C. 1498 be *limited to procurement of articles.* This is manifestly clear because the Comptroller General did not even mention that *services* were to be covered under 28 U.S.C. 1498, which the Comptroller General would have obviously done had he had any intent of defining the limits of 28 U.S.C. 1498 (and he clearly had no such intention). In any event, it is manifestly *outside* the limits of the Comptroller General's authority to attempt to define the overall coverage of 28 U.S.C. 1498. That decision is up to the courts.

In the subsequent lawsuit of *Roberts et al* v. *Herbert Cooper Co., Inc.*, 236 F. Supp. 428, 143 USPQ 345 (D.C. Pa., 1959) by the patentee against Herbert Cooper, the action was dismissed for trial in the Court of Claims on the ground that the use of the *method* patents in producing *articles* for the Government fell under 28 U.S.C. 1498. If the use of *method* patents for producing *articles* for the Government is covered by 28 U.S.C. 1498, then obviously the use of an *article* for performing *services* for the Government clearly falls under § 1498.

## III

### Even If 28 U.S.C. 1498 is Construed to Cover Only Procurement of Articles and Services by the Government, the Government in the Present Case Did Procure Oceanographic Research Services from OSU.

In appellant's argument that 28 U.S.C. 1498 is limited to "procurement" of articles and services for

the Government, appellant obviously assumes that basic oceanographic research is not a service procurable by the Government. It is pointed out that the Navy had a valid binding contract (DX 4, 14 and 23) with OSU for the performance by OSU of basic oceanographic research services, paid for by and reported to the Navy. Does appellant assert that these services were not "for the Government" and that the Navy in "procuring" such services is barred from having OSU make use of patented equipment? If this interpretation of the law were correct, then a substantial part of the national oceanographic research program would have to be carried out *only* by Government agencies, barring them from obtaining the assistance of non-federal institutions. This would mean the creation of gigantic national oceanographic laboratories which is contrary to the strong recommendations in the NASCO report (DX 48) which in Chapter 2, page 4, stated:

> ". . . The Committee recommends against building major research facilities for oceanography outside the nation's university system. 'National Laboratories' may be essential in some instances where security and inordinately high budgets are involved, but if they continue to increase in number and diversity we must be prepared to face two serious consequences: (1) the staff members of such laboratories will lose the intellectual stimulation that is the most valuable feature of a university; and (2) the nation as a whole will suffer from the deterioration of its universities that a continued spawning of National Laboratories would surely engender.

> This issue transcends the immediate short term problems of research in oceanography or any of the other sciences."

Perhaps the appellant's real point is that it admits that basic oceanographic research services can be "procured" by *contract* but cannot be "procured" by *grant*. If so, appellant's complaint is not about the *nature* of the services performed but the *form* of the arrangement utilized by the Federal Government in getting done what it wanted done, i.e., basic oceanographic research services. The Trial Court thought this was appellant's position because the Court stated at pages 7 and 8 of its Opinion (CT 187, 188):

> "Furthermore, plaintiff argues that at least to the extent that the research work being done aboard the YAQUINA has been financed by grants, such research was not 'for' the Government because: (1) the NSF which made the grants, is not itself charged with the responsibility of doing the research; and (2) where one donates funds for expenditure on a project by another, it does not necessarily follow that the project is being done 'for' the donor.
>
> "The Court concludes that to accept these arguments would be to permit the form of the relationship to govern while ignoring the substantive interests involved . . . Where the Government finances the manufacture of a device and grants it to a private agency with the stipulation that it can only be used for specified purposes, and such use advances recognized vital interests of the U. S. Government, the conclusion is inescapable that such manufacture and use were 'for' the U. S. Government."

The above statements of the Trial Court should clearly dispose of appellant's position, but appellees make a further point and that is that there is nothing about grants that excludes them from being used for "procurement", if, indeed, procurement is necessary. The Decision of the Comptroller General in 42 Comp. Gen. 289 (B-149441) states at page 293:

> "The term 'grant' as used in the statutes is subject to a variety of meanings, viz, contribution, gratuity, gift, method of payment or *procurement.* See 38 C.J.S. 1066-1068, Craig v. Mercy Hospital, 45 So. 2d. 809. Consequently, the meaning of this term as used in the statutes quoted above is to be determined from its connection and the manner of its use." (Emphasis added).

That research services can be procured by grant is evident from Part I of Section IV of the Armed Services Procurement Regulations entitled "Procurment of Research and Development." Under Section 4-101, research is defined as follows:

> "(1) *Research*—includes all effort directed toward increased knowledge of natural phenomena and environment and efforts directed toward the solution of problems in the physical, behavioral and social sciences that have no clear direct military application. It would, thus, by definition, include all basic research and, in addition, that applied research directed toward the expansion of knowledge in various scientific areas. It does not include efforts directed to prove the feasibility of solutions of problems of immediate military importance or time-oriented investigations and developments."

Section 4-108 of the ASPR relates to "Grants for Basic Research." There is even a Defense Procurement Circular of March 31, 1965, listing under Item I, "Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Educational Institutions."

Another point that appellant has overlooked in the relationship of OSU with the NSF is that the *grant instruments* between the NSF and OSU *were* in substance *contracts* or *agreements*. In the Decision of the Comptroller General at 42 Comp. Gen. 289 (B-149441), the Comptroller General stated at page 294:

> ". . . The *acceptance* of the grant creates a *contract* between the United States and the grantee under which the moneys paid over to the grantee, while assets in the hands of the grantee, are charged with the obligation to be used for the purposes and subject to the conditions of the grant." (Emphasis added).

It is further clear from DX 60 "Grants for Scientific Research" that DX 10, the grant instrument for the conversion of the YAQUINA, was a *binding agreement* between OSU and the Federal Government. DX 10 ends with the sentence "Please acknowledge receipt and acceptance of this grant and include a reference to the grant number." The grant paper was obviously accepted by OSU. DX 60 states on page 20:

> "The Foundation research *grant instrument* is a letter signed by the Director. *It contains cer-*

*tain conditions which, upon acceptance* of the grant, will be *binding* upon the *grantee.*" (Emphasis added).

Clearly, the grant instrument DX 10 is a *binding agreement* between OSU and the Federal Government whereby the Government was assured that the aims for which the grant was made would be carried out, and carried out pursuant to the national oceanographic program initiated, conducted and supervised by the Federal Government. The other research work grant instruments between OSU and NSF were obviously binding agreements pursuant to DX 60.

In summary, even if a contract or agreement for research services, or for the conversion work on the YAQUINA, were desirable or necessary, then clearly the grant instruments between OSU and NSF were contracts or agreement binding between these parties. It follows then that if there is some magic attached to the word "contract" or some magic attached to the word "procurement" in regard to services or equipment being "for the Government", then those requirements are fulfilled in the present suit.

## IV

### There is no Distinction Between the Use of a Grant Instrument or a Contract by a Federal Agency in Obtaining Research Services, and Both are Equally Binding

At pages 24-27 of its appeal brief, the appellant argues that contracts are for "procurement" while

grant instruments are merely for "financial support" of research work. However, in quoting from page 44 of *The National Science Foundation—A General Review of Its First* 15 *Years*, the appellant did not include the following statement at the bottom of page 44 which completely nullifies the point appellant sought to make:

> "In practice, distinctions between grant and contract instruments by various federal agencies for support of basic research have been lost; both have been adjusted to meet needs."

It is pointed out that until 1958 only three Government agencies, the National Science Foundation, the Department of Agriculture and the Department of Health, Education and Welfare, were authorized to accomplish work by means of grants as well as contracts (Third paragraph, p. 5337, U. S. Code Congressional and Administrative News, 85th Congress, Second Session, Vol. 3). This was changed by Public Law 85-934, an act "To authorize the expenditure of funds through grants for the support of scientific research, and for other purposes."

The full intent of the act is apparent from the first paragraph which states:

> "That the head of each agency of the Federal Government *authorized to enter into contracts for basic scientific research at nonprofit institutions* of higher education, or at nonprofit organizations whose primary purpose is the conduct of scientific research, *is hereby authorized*, where it is deemed to be in furtherance of the

objectives of the agency, *to make grants* to such institutions or organizations for the support of such basic scientific research." (Emphasis added).

House Report No. 2640 (U. S. Code Congressional and Administrative News, 85th Congress, Second Session, Vol. 3) makes clear the reason for this law:

"It is reported that certain types of research may be accomplished more advantageously by means of contracts, whereas others are better accomplished by grants."

The conclusion of the House Report is as follows:

"It is the considered judgment of the committee that S. 4039 is a most meritorious measure which will promote the progress of scientific research in the United States. This measure will provide *greater flexibility and economy* in the conduct and administration of such research without authorizing any new projects or activities and without increasing Federal expenditures." (Emphasis added).

Public Law 85-934 was implemented by various Code sections, including Part 272 of Title 32 of the Code of Federal Regulations entitled "Administration and Support of Basic Research by the DOD" (Department of Defense), and Part 273 entitled "Policy on Basic Research Grants and Title to Equipment Purchased Under Grants." 32 C.F.R. 273.4 is particularly pertinent and states:

"(b) In the past, when the *services* of an educational or other non-profit organization *were*

*desired*, the Department of Defense was *limited* to the use of a research contract. Public Law 85-934 authorizes grants to these organizations for the purpose of supporting basic research. . . "(c) Flexibility in carrying out the responsibility of the Department of Defense under Part 272 of this chapter will be increased through the use of the authority given in Public Law 85-934." (Emphasis added).

32 C.F.R. 273.5 entitled "Policy" sets forth the following guidelines:

"(a) It is the policy of the Department of Defense to encourage the use of grants (in lieu of contracts) to educational or other nonprofit organizations in support of basic research when it is determined that this action would further the objectives of the Department of Defense.

(1) Determination in favor of a grant in lieu of a contract . . . may depend on, but is not restricted to, the following factors:

(i) *Support of a broad area of science.* It may be desirable for the grantee to carry out investigations in a general area of science rather than to be restricted to the solution of specific problems.

(ii) *Payment.* It may be desirable that the grantee have the greater flexibility provided by the grant form of payment than the contract form offers.

(iii) *Simplicity and economy in execution and administration.* It may be desirable to minimize detailed supervision by the supporting agency, as well as the need for periodic progress reports

by the investigator. The factor of economy resulting from the elimination of accounting and auditing procedures applicable to research contracts should also be a consideration."

In order to make certain that Department of Defense grants for research were not tied down by the complications of the procurement regulations (ASPR) of the Government which apply to contracts, 32 C.F.R. 273.7, part (a) specifically states that the complexities of such regulations would not apply to a grant.

It is evident from Public Law 85-934 and the above sections of the Code of Federal Regulations that a grant is just as appropriate an instrument for obtaining research services by a federal agency as a contract. A grant instrument merely gives flexibility in administration not inherent in a contract.

## V

### There is no Merit to Appellant's Implication that There is a Significant Difference between the Specificity and Type of Research OSU Performed for the Navy and the Research it did for the NSF.

The appellant, at the bottom of page 3 of its appeal brief, states:

> "Of the balance, the Navy Department pays 40 per cent and the Atomic Energy Commission pays 10 per cent pursuant to contracts with these agencies for *specific research task orders.* (RT 135-36)." (Emphasis added).

At page 27 of its brief, appellant states:

> "The grantee, through the *principal investigator*, is *accorded wide latitude* in pursuing interesting and important lines of inquiry without fear of interference by the Foundation which might inhibit intellectual curiosity and research initiative." (Emphasis added).

These quoted portions clearly imply that the research work done for the Navy and the AEC under contracts were specific, definite and detailed, with no latitude allowed the researcher, while the research work done under the grant instruments with the NSF was general and vague and the researcher allowed wide latitude.

In fact, there is no significant difference between the specificity and type of research work OSU performed under its *grant instruments* with the NSF and that performed under the *contracts* with the Navy, and there is no significant difference in the latitude allowed the researcher.

The work called for by the Navy contracts was in terms just as broad and general as the work called for by the grant instruments. For instance, the specificity of research work done for the Navy is typified by Research and Development Task Order of August 1, 1963, which is part of Navy contract Nonr-1286(10) (DX 14) and which states:

> "SECTION A—The Contractor shall furnish the necessary personnel and facilities for and, in accordance with any instructions issued by the Scientific Officer or his authorized representative, shall conduct oceanographic research in the

Oregon inshore and offshore waters. This research shall include, *but not necessarily be limited to* the following:

(a) physical, chemical, and biological properties of the offshore waters and bottom of the continental shelf;

(b) inshore special feature studies;

(c) estuarine and littoral processes;

(d) ocean physics;

(e) air-sea interactions; and

(f) recruitment, training, and support of students in oceanography." (Emphasis added).

No further details than those set forth above were supplied to OSU. It is thus evident from the above recitation that the work to be done for the Navy by contract was not only in general terms, but was "not necessarily to be limited to" the tasks recited. Certainly this shows that "wide latitude in pursuing interesting and important lines of inquiry" (as recited by appellant at the top of page 27 of its appeal brief) is a characteristic of a contract as well as of a grant.

The specificity of the research work required under grant instruments is typified in grant instruments DX 334 through 341, the description of which is set forth below:

| *Grant Number* | *Project Title* |
|---|---|
| GB 1588 (DX 334) | Seasonal Distribution of Intermediate Oceanic Consumers in Relation to Environment. |

| | |
|---|---|
| GP 2876 (DX 335) | Alkalinity of Sea Water. |
| GP 3556 (DX 336) | Research on the Foraminiform. |
| GP 3548 (DX 337) | Research in Air-Sea Energy Exchange. |
| GP 3582 (DX 338) | Physical - Chemical Properties of Sea Water. |
| GP 4247 (DX 339) | Oregon Oceanographic Studies. |
| GP 4642 (DX 340) | Temperature Microstructure at the Ocean Floor. |
| GP 4649 (DX 341) | Removal of Alkalinity from Sea Water by Clay Minerals. |

It is evident that the research work for the NSF was in terms just as specific as for the Navy. It is further pointed out that the *subject* matters of the research called for are in many instances similar. For instance, Navy research project "air-sea interaction" listed near the end of Agreed Fact 10 (CT 99) finds correspondence to Grant No. GP 5156 (DX 345) entitled "Research in Air-Sea Energy Exchange." Also compare the task listed near the end of Agreed Fact 10 (CT 99) "physical, chemical and biological properties of the offshore waters and bottom of the continental shelf" with NSF Grant GP 3852 (DX 338) for "Physical-Chemical Properties of Sea Water." Further similarity is seen in the tasks set out on the middle of page 5 (CT 98) of the pretrial order under Agreed Fact 10 "Temperature Distribution on the continental shelf" and Grant GP 4642 from the National Science Foundation (DX 340) entitled "Temperature Microstructure of the Ocean Floor."

It has been shown above that (1) there is no difference in degree of specificity of the research called for under the Navy contracts and that called for in the NSF grant instruments, and (2) there is no significant difference in the subject matters of the research work called for by these Government agencies. Therefore, since the research work for the Navy is obviously "for the Government," the research work for the NSF is clearly "for the Government."

## VI

### The Grant Instruments between OSU and the NSF Did Not Establish a Gift of Funds to OSU

Appellant asserts at page 6 of its appeal brief:

> "The grant funds advanced to Oregon State University are a gift or subsidization and lose their identity when received by Oregon State University and comingled with its general funds. Section 1498 does not exempt infringing activity by a grantee."

The grant instruments between OSU and the NSF were clearly *agreements* calling for the conversion of the vessel and the performance of research work for the Federal Government with funds supplied by the Federal Government for such purposes.

That the grant instruments between OSU and the NSF did not provide for the gift of funds to OSU is clear from the decision of the Comptroller General, 42 Comp. Gen. 289 (B-149441) wherein the Comptroller General stated, at page 294:

> "It is our view that these *grants-in-aid are not* statutory unconditional grants or *gifts* and may not be so made by administrative action." (Emphasis added)

In the above decision of the Comptroller General, one of the points involved was whether the interest earned on the unused grant-in-aid funds was the Government's or the recipient's. The Comptroller General decided that the interest *was the Government's* because the money was not a gift and that the interest should be accounted for.

In the relationship between OSU and the NSF, it is clear that the funds advanced to OSU by the NSF were *not a gift* and were *still the NSF's funds* because the *interest earned* on these funds *was the Government's*. The grant instrument (DX 10) providing for the conversion of the YAQUINA incorporates by reference the document entitled "Grants for Scientific Research" (DX 60) which itself states at page 24:

> "*Interest* earned on funds advanced by the Foundation *shall be submitted* by check payable *to the National Science Foundation.*" (Emphasis added).

Since the interest on the grant funds belonged to the Government, it is clear that such funds were not a gift.

## VII

### The Lower Court's Decision is Clearly in Accord with Decisional Law and Not at Odds with Ninth Circuit Decisions

At page 23 of appellant's appeal brief, it asserts that the Trial Court's decision "is somewhat at odds with two earlier decisions of the Ninth Circuit, *Systron-Donner Corp.* v. *Palomar Scientific Corp.*, 239 F. Supp. 148, 145 USPQ 56 (N.D. Cal., 1965), and *Consolidated Vacuum Corp.* v. *Machine Dynamics, Inc.*, 230 F. Supp. 70, 141 USPQ 623 (S.D. Cal. 1964)."

Appellant's analysis of these two cases is clearly erroneous. In *Systron-Donner Corp.* v. *Palomar Scientific Corp.*, the accused party made one sale of an accelerometer to the plaintiff and a number of sales to a firm called Micro Gee Products at a time when there was *no relationship* whatsoever between the defendant and the Government, nor between Micro Gee Products and the Government. The Court clearly stated at page 150:

> "The evidence shows that *at the time the order was placed Micro Gee had no government contracts nor any orders from government contractors*, for which these accelerometers might have been used. There is evidence, however, two of these accelerometers were incorporated into accleration tables manufactured by Micro-Gee, and that the tables were eventually shipped by Micro-Gee, *under subsequently obtained government purchase orders* to government installations to become the property of the United States." (Emphasis added).

In referring to the meaning of 28 U.S.C. 1498, the Court stated at page 150:

> "Thus, the purpose of the statute is to free the Government from the obstructions raised by involvement of its contractors and subcontractors in patent litigation—not to give exemption from infringement suit to those who manufacture for other than government end use, i.e., use *without 'authorization or consent' of the Government.*" (Emphasis added).

In the present instance, the grant instrument DX 10, which was a binding agreement between OSU and NSF, was in existence *before* the YAQUINA was ever converted and specifically *contemplated* the conversion of the FS 210 into the YAQUINA, and specifically outlined how this was to be done. The authorization and consent of the Government was clearly present.

In summary, the *Systron-Donner* case merely held that there was no relationship between the Government and defendant at the time the accused sales were made, and that the actions of the defendant were made without the authorization and consent of the Government. Neither of those situations exist in the present case.

The second case cited by the appellant, *Consolidated Vacuum Corp.* v. *Machine Dynamics, Inc.*, merely held that defendant who manufactured and sold testing equipment to Government contractors, who in turn used the equipment to test devices sold

to the Federal Government under contract, could be sued in the District Court because:

> ". . . the Government did not directly authorize to, nor know of their use."

In fact, it is clear that in the *Consolidated* case, the accused party was advertising the equipment for sale in trade journals to the general public.

The holding in the *Consolidated Vacuum* case is aptly summed up by the Court at page 73, left-hand column:

> "The Court finds the manufacture here was not with such consent of the Government—express or implied—as to vest sole jurisdiction in the Court of Claims."

To the contrary, in the present case, the conversion of the FS 210 into the YAQUINA was specifically provided for by a grant agreement (DX 10) between OSU and the Government, with OSU having represented to the Government that the ship was to be used solely for federal research. For instance, see DX 18 where the Navy, in writing to its contractor, OSU, in a letter dated September 3, 1964 states:

> "The Contractor [OSU] states that the YAQUINA will be used *only* for research operations through grants and contracts from *Federal agencies*, primarily the Office of Naval Research and the National Science Foundation." (Emphasis added).

Inasmuch as the NSF had the power to take the vessel YAQUINA away from OSU if in the opinion

of the NSF the vessel was not "used sufficiently and efficiently for research" (DX 10, p. 2), it is obvious that the Federal Government had sufficient control over the vessel in view of the representations made to the Government to assure that Government research would be carried on.

## VIII

### There is no Merit Whatsoever to the Appellant's Argument that the Trial Court's Opinion is Unclear in Regard to the Dual Requirements of 28 U.S.C. 1498

Appellant, at page 15 of its appeal brief asserts that:

> "It is not clear from the lower court's Opinion whether or not it considered the existence of the authorization and consent as *per se* 'for the Government', and thereby concluded that § 1498 applied."

To the contrary, the Court's Opinion is absolutely clear and definite on the point because it specifically found that there was not only the consent and authorization of the Government to the manufacture and use of the YAQUINA, but that such manufacture and use were "for the Government." The Court stated at page 5 (CT 185) of its Opinion:

> "Plaintiff questions whether the language of § 1498, in requiring that a device be manufactured or used "*for*" *the Government*, was intended to include within its ambit such research work under Government grants. From an examination of the legislative history and purpose of

that section, this Court concludes that such an interpretation is not only permissible but required." (Emphasis added).

At page 6 (CT 186) the Court stated:

". . . (2) the conversion and use of the YAQUINA including the manufacture and use of the stabilization tank . . . were *'for' the Government;* and (3) both the manufacture and use of the stabilization tank were with the *authorization and consent* of the Government." (Emphasis added).

At page 8 (CT 188), the Court stated:

". . . the conclusion is inescapable that such manufacture and use were *'for' the U. S. Government.*" (Emphasis added).

"Furthermore, the Court finds that both the manufacture and use of the patented stabilization tank were *with the authorization and consent* of the Government, within the meaning of § 1498." (Emphasis added).

Finally, at page 10 (CT 190) the Court stated:

"The parties have devoted substantial portions of their briefs to the question of whether it is necessary, under § 1498, to show *both manufacture and use for the Government,* or whether a showing of either is sufficient to vest sole jurisdiction in the Court of Claims. Inasmuch as it appears that both manufacture and use were for the Government, this issue need not be resolved."

It is evident from the above quoted material that appellant is trying to erect a straw man and then

knock it down, because it is difficult to see how the Court's Opinion could be clearer on the very point appellant asserts is unclear to appellant.

## IX

### Appellant's Charges that it Was Deprived of its Property Without Just Compensation and Without Due Process of Law, and its Charges of Unfair Competition and Trademark Infringement are Unfounded

Appellant's fifth cause of action states:

> "Defendants, jointly and severally, are violating and infringing upon plaintiff's constitutional rights and, more particularly, plaintiff's rights under the Fifth and Fourteenth Amendments to the Constitution of the United States of America by depriving plaintiff of its property without just compensation and without due process of law by the *unauthorized use of plaintiff's patent* rights as set out aforesaid in the making and using of the vessel YAQUINA, said patent rights having been secured by plaintiff under Article I, Section 8, Clause 8, of the Constitution of the United States of America." (Emphasis added).

The above cause of action is obviously no more than an attempt to reword the patent infringement charge in different language, but it is clear that 28 U.S.C. 1498 relegates the patentee to suit against the United States in the Court of Claims for "his reasonable and entire compensation" for the use and manufacture of his invention. In other words, whatever injuries appellant may have suffered because of

the use of an invention for the Government, with its authorization and consent, must be redressed in the Court of Claims and not in the District Court. In fact, relief from liability of every kind in regard to patents is well set forth in the case of *Richmond Screw Anchor Company* v. *United States*, 275 U.S. 331 (1928), wherein the Court states, at page 343:

> "The purpose of the amendment was to *relieve the contractor* entirely from *liability of every kind* for the infringement of patents in manufacturing anything for the Government and *to limit the owner of the patent* and his assigns and all claiming through or under him *to suit against the United States in the Court of Claims* for the recovery of his reasonable and entire compensation for such use and manufacture. The word 'entire' emphasizes the exclusive and comprehensive character of the remedy provided. As the Solicitor General says in his brief with respect to the Act, it is more than a waiver of immunity and effects an *assumption of liability* by the Government." (Emphasis added).

In fact, where it is evident that the plaintiff is engaged in unnecessary litigation in the District Court in connection with patents, the courts will assess attorneys' fees against the plaintiff because this will be considered as harassment. In this connection, see *Stelma, Incorporated* v. *Bridge Electronics Co., Inc.*, 300 F.2d 761 (C.A. 3, 1962).

In regard to the sixth cause of action concerning unfair competition and trademark infringement, it is submitted that this cause of action is totally un-

founded. The charge is set forth at CT 25, as follows:

> "That the defendants have, in connection with soliciting funds, made representations that their anti-roll equipment is made by, serviced by or otherwise connected with plaintiff; and more specifically, that the defendants have identified their ship anti-roll equipment as *flume stabilizing tanks* which designation is confusingly similar to plaintiff's well-known trademark FLUME STABILIZATION SYSTEM and is calculated to and/or likely to mis-lead persons or organizations with which the defendants are dealing into believing that the defendants' anti-roll equipment is that of the plaintiff or is serviced by the plaintiff or is in some manner associated with or sponsored by the plaintiff which, in fact, is not true."

The appellees have not "identified" the anti-rolling tanks as "flume stabilizing tanks," but only referred to the tanks once by such terminology in two drawings of amended Proposal II, DX 9. Page 2 of Appendix A shows the varying terminology appellees have applied to the anti-rolling tank at various times during the negotiations and thereafter. Appellees have not made any use of the term "flume stabilizing tanks" after the instance of use in DX 9, referred to above.

In any event appellee OSU's use of "flume stabilizing tanks" was in relation to the accused anti-rolling tank. Thus appellant's remedy, if any, should be in the Court of Claims because 28 U.S.C. 1498 covers the patentee's "entire compensation" in connection with such structure.

Furthermore, the evidence in the case is absolutely clear that the appellees in no way at any time represented that they had any association or connection with the appellant. OSU's contacts were with the Navy, and the NSF, and through naval architect Nickum with McMullen. That the NSF was under no illusion that OSU had any association with McMullen or was taking advantage of McMullen's reputation, whatever that was, is evident from the letter (DX 83a) from John Lyman, Program Director for Oceanography, Earth Sciences Section of the National Science Foundation (dated September 26, 1963) to the Office of the General Counsel of the NSF, in which he referred to the difficulty of incorporating a passive anti-rolling tank system in the YAQUINA in view of the patent position of McMullen. The Navy, through the Bureau of Ships, was certainly under no impression that there was any relationship between McMullen and OSU because in DX 83a it is stated:

> "The BuShips people expressed some consternation over the use of Federal funds by grantees for procuring these systems commercially and indicated that BuShips' counsel would be contacting NSF's counsel on the matter next week."

DX 7, the license from the Navy to OSU, additionally shows that the Navy was under no false impression about the relationship between OSU and McMullen, because the very purpose of the license was to give OSU the right to utilize the passive anti-rolling tank patented by McMullen. McMullen's own correspondence with the Navy, including the letter of

January 27, 1965 (DX 574) complaining about the license the Navy had granted to OSU clearly shows that the Bureau of Ships was in no doubt of the relationship between OSU and appellant. It is clear then that all parties involved in the construction and conversion of the YAQUINA and its use knew at all times exactly the relationship between OSU and McMullen, and OSU at no time represented it had any relationship with McMullen. Certainly OSU was not in the business of selling anti-roll tanks, and the only anti-roll tank it ever had anything to do with was the one installed on the YAQUINA.

The sum total and substance of appellant's complaint is that at on one occasion the term "flume stabilizing tanks" was employed, and that since appellant had obtained a trademark registration on "Flume Stabilization System", there must have been some attempt on the part of OSU to trade on the trademark protection of McMullen. This is obviously not so.

It is further pointed out that the charge in the sixth cause of action quoted above is in connection with "soliciting funds." At least insofar as the shipbuilding firm, appellee Albina, is concerned, it had nothing whatsoever to do with soliciting funds but only performed conversion operations.

In summary, appellant's fifth cause of action is no more than a restatement of the patent infringement charge and since 28 U.S.C. 1498 relegates the patentee to the Court of Claims for his reasonable and

entire compensation for any use of his inventions, the fifth cause of action is groundless.

In connection with the sixth cause of action, since all the parties and organizations involved in the present case knew at all times whom they were dealing with there could be no confusion or likelihood of confusion which could support appellant's charge of unfair competition and trademark infringement.

## CONCLUSION

The actions of the appellees complained of in the present suit were clearly for the Government with its consent and authorization. The Federal Government can obviously *contract* for research services vital to the national defense and general welfare and just as obviously should be able to have the same services performed by *grant instrument.* In fact, had the legal instruments between OSU and the National Science Foundation been labeled "contracts" instead of "grants" or "grant instruments", it would never have occurred to appellant to sue appellees in the district court. Appellant jumped to the erroneous conclusion that a grant was an outright gift and that a grant created a different legal relation than a contract.

Appellant's fifth cause of action is a mere restatement of its patent infringement charge and hence appellant must seek its compensation in connection with such charge in the United States Court of Claims. The sixth cause of action is groundless because all

the parties and organizations knew whom they were dealing with and the adverse relation of appellees to appellant. Furthermore, OSU was acting as the agent of the Government in its dealing with others.

The entire case should be dismissed and the appellant should go to the Court of Claims for its just, reasonable and entire compensation as contemplated by 28 U.S.C. 1498.

Respectfully submitted,

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## CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

JOSEPH B. SPARKMAN,
Of Attorneys for Appellees.

## APPENDIX A

### Explanation of Terms and Identification of Organizations

*Ships Involved in the Suit*:

There is only one ship *directly* involved, and that is the YAQUINA, which before conversion was the FS 210, an Army Air Corps Maintenance and Supply vessel, which was declared surplus and transferred to Oregon State University. The initials FS stand for "Freight & Supply" and the 210 is simply a number designation in a series of FS vessels. It is a 180′ vessel having a steel hull. Other vessels mentioned in the Proposals were a 185′ MSF (fleet mine sweeper); 143′ ATA; 149′ Army Steam Tug (p. 1, DX 9).

Reference is also made to the ACONA, an oceanographic research vessel furnished by the Navy to OSU (RT 35) for oceanographic research until such time as it was replaced by a larger vessel, the YAQUINA. The ACONA was eventually transferred to the University of Alaska (DX 82) in September 1964.

*Accused Structure:*

The accused structure comprises a "passive" anti-roll tank for the YAQUINA to stabilize the ship so as to lessen the roll caused by heavy seas. "Passive" means a tank in which the internal structure is fixed. The tank contains water that is forced, when the ship tilts, to pass through fixed restrictions

or "flumes" to lessen the extent of roll. The accused structure is referred to by different terminology in various exhibits. To clarify the confusion that otherwise might result, some of the varying terminology is set forth below in connection with certain of the pertinent exhibits.

A. Proposal II to the NSF (DX 8)—February 1, 1962

Page 16 calls for "ANTI-ROLLING TANKS" Attached drawing entitled 180′ Oceanographic Vessel — Inboard Profile, the accused structure is referred to as "flume stabilizer."

B. Amendment of January 15, 1963 to Proposal II (DX 9)

Page 4, under the heading "Hold" — reference is made to "anti-rolling tanks"
Under the sheet labeled "Budget" there is reference to "Stabilizing Tanks including steel"
In drawing 2190-2-3 reference is made to "flume stabilizing tank"
In drawing 2190-2-2 reference is made to "flume stabilizing tank."

C. The Design Data Sheet by the Department of Navy Bureau of Ships (DX 38) refers to the type of tank installed in the YAQUINA as "Passive Anti-Roll Tanks."

D. The supplemental authorization and consent letter of September 26, 1966 (DX 1) in the second paragraph refers to the accused tanks as "anti-roll tanks or devices."

E. In the supplemental authorization and consent

letter of March 15, 1966 from the Department of Navy (DX 2), the first paragraph refers to the accused tank as "the anti-roll tank in the Yaquina."

F. The supplemental authorization and consent letter of May 2, 1966 from the Atomic Energy Commission (DX 3) refers to the "anti-roll tank in the Yaquina."

G. In Change Order 6 (DX 22) to the plans for construction of the YAQUINA at page 2 of the body of the Change Order, item 18 refers to "Fabricate and install movable baffles for flume tank per WCNS Dwg. 3130-S11-3."

H. In the letter from John Lyman, Head Oceanographer Earth Sciences Division, NSF to the Office of General Counsel of the National Science Foundation of September 26, 1963 (DX 83a) reference is made to "the only successful anti-rolling tank system"; and paragraph 2 states that an inquiry was made by Jennings to determine "whether such a tank could be placed" in the ship Oregon State was converting, the YAQUINA.

I. In DX 91a the tank is referred to as "Passive Anti-rolling Tank."

J. In a letter from the Navy of September 16, 1963 to OSU (DX 127) the accused tank is referred to as "an anti-roll tank."

K. In the comments of the Bureau of Ships on the specifications and plans for conversion of the YAQUINA of 12-10-63 (DX 144), page 1 makes reference to "stabilization tank sys-

tem." On page 2, reference is made to "a passive anti-rolling tank system, designed in accordance with Bureau of Ships Design Data Sheet."

*Parties and Other Organizations*

Appellant: JOHN J. McMULLEN ASSOCIATES, INC., is a corporation duly organized under the laws of the State of New York, and is active in the field of designing ships and structures for ships, including ship stabilization devices or anti-roll tanks. (McMullen is listed as the owner of the four patents in suit, the inventor being Kenneth C. Ripley, who was an employee of the Navy Department at the time he made such inventions, DX 6).

Appellees: STATE BOARD OF HIGHER EDUCATION — a state agency of the State of Oregon created pursuant to Oregon law whose duty it is to control and administer all state supported colleges and universities.

OREGON STATE UNIVERSITY (OSU), while not a party, per se, is one of the institutions falling under control of the State Board and is the organization principally involved in the construction and operation of the vessel YAQUINA.

All of the individual defendants are

members of the STATE BOARD OF HIGHER EDUCATION except (1) defendant JAMES H. JENSEN, who is President of Oregon State University; (2) defendant WAYNE V. BURT, who was Chairman of the Department of Oceanography of Oregon State University; and (3) defendant HOWARD A. LINSE, who is Master of the accused vessel YAQUINA.

ALBINA ENGINE & MACHINE WORKS, INC. is an Oregon corporation active in the ship building business and did the conversion work on the accused vessel YAQUINA.

Miscellaneous organizations:

W. C. NICKUM & SONS—a naval architect firm in Seattle, Washington, designing plans for both government and private ships, and who performed the original design work on the FS 210, and designed the plans for conversion of the FS 210 into the oceanographic vessel YAQUINA.

WOODS HOLE OCEANOGRAPHIC INSTITUTION — A private oceanographic institution having its main base at Woods Hole, Massachusetts.

Jonathan Leiby—naval architect at Woods Hole Inst.

Federal Departments, Agencies and Individuals Involved in the Case:

United States Department of Navy (Navy)

Office of Naval Research (ONR)—a section of the Department of the Navy of the United States established by Act of August 1, 1946, 60 Stat. 779; 10 U.S.C. 5150-5153.

E. P. Bledsoe—Contracting officer of the U. S. Navy (ONR)

Feenan Jennings—Head Oceanographer, Geophysics Branch ONR.

Jack G. Davis — Captain USN, Assistant Chief for Patents.

Bureau of Ships (BuShips)—a section of the Department of the Navy of the United States established by Act of June 20, 1940, 54 Stat. 493; 10 U.S.C. 5131, 5132 and 5145 (and see DX 144).

National Science Foundation (NSF)—A U. S. Government agency created in 1950. 64 Stat. 149; 42 U.S.C. 1861-1979.

John T. Wilson—Deputy Director of the National Science Foundation at the times material to this case.

John Lyman—Was Program Director for oceanography of NSF (referred to in pretrial order at page 9, paragraph 24, CT 102, — author of various letters in evidence, including DX 87). He now is Oceanographic Coordinator, U.S. Department of Interior, Fish & Wildlife Service, Bureau of Commercial Fisheries.

Richard E. Bader—Succeeded Lyman as Program Director for oceanography Earth-Sciences Section NSF.

Maritime Administration (Marad) A section of the Department of Commerce of the United States, and referred to in DX 595.

Bureau of Commercial Fisheries—A section of the Department of Interior of the United States and Referred to in DX 89.

Federal Council of Sciences and Technology (referred to at paragraph 46, page 26 of the pretrial order, CT 119) a federal agency created by Executive Order 10807 of March 13, 1959.

Interagency Committee on Oceanography (ICO)—a committee established by the Federal Council of Science and Technology pursuant to section 4 of Executive Order 10807 of March 13, 1959, to develop annually a national oceanographic program, referred to in paragraph 46, p. 26 of the pretrial order CT 119 and DX 49, 50, 51 and 52.

## APPENDIX B

### Resume of Negotiations Between OSU and NSF for a Larger Ship Containing Anti-Rolling Tanks and the Government's Knowledge, Consent and Authorization in Connection Therewith.

The following material clearly shows the full extent of the Government's knowledge of the YAQUINA negotiations and the Government's consent and authorization to the manufacture and use of the YAQUINA and its anti-roll tank, and the Government's assistance and acquiescence in regard thereto.

In February 1962, OSU submitted two Proposals, labeled Proposal I (DX 103) and Proposal II (DX 8) to the NSF. Proposal I contemplated the construction of a new vessel and also contemplated stabilization anti-roll tanks of the passive type, as recited at page 16 of DX 103, as follows:

> "Anti-Rolling Tanks—Passive anti-roll tanks will be specified. Flume type tanks developed initially for the Navy Department and now controlled under patents by J. J. McMullen Associates, Inc., of New York City will be called for. The specifications will require the contractor to install these tanks and to guarantee a reduction in roll. The exact reduction to be specified will be developed within the detail specifications."

Proposal II contemplated the conversion of a 185' MSF hull with passive stabilization anti-rolling tanks of the same type as was in Proposal I, as is evi-

dent from page 16 of DX 8, the paragraph entitled "Anti-Rolling Tanks" and the fourth sheet of drawings, wherein the anti-rolling tank is referred to as "Flume Stabilizer." The detailed construction of the anti-roll stabilization tank was not disclosed in either Proposals I or II in their original forms. Neither Proposals I nor II was accepted (RT 39) as presented. In fact, the NSF requested Proposal I be dropped (RT 39, DX 429).

On October 24, 1962, OSU amended (DX 105) Proposal II to call for the conversion of a 149′ steam tug. Reference was made on page 3 to the anti-roll tank as follows:

> "Anti-rolling tanks will be aft of the officer's quarters and will be built into the top portion of the fuel tanks."

During November 1962, OSU was informed that Proposal II as amended had been recommended for funding by the National Science Foundation (DX 85, RT 42). Subsequently, OSU discovered that the last 149′ steam tug which was in good condition had been disposed of (see paragraph 2 of DX 85) but surveyed four FS* hulls in the 176-180′ class and found one of the hulls, the FS 210** was in excellent condition. (Third paragraph of DX 85). Thus OSU determined that Proposal II should be amended again in regard to the vessel to be converted and on January 15, 1963,

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* The initials "FS" mean "Freight & Supply"

** The number 210 identifies the particular FS vessel from other FS vessels.

Proposal II was formally amended (DX 9) to call for the conversion of an FS hull, and particularly the FS 210. Proposal II in its twice amended form was submitted to the NSF, such proposal continuing its reference to anti-roll tanks (see page 4, DX 9, first paragraph, and on the "Budget" page, the item designated "Stabilizing tanks including steel", and two of the drawings attached to Proposal II, namely, 2190-2-2 showing a space for "flume stabilization tanks" and drawing 2190-2-3 showing space for "flume stabilization tanks").

Continued reference to the anti-rolling tanks appeared in OSU's Dr. Burt's letter of January 8, 1963 (DX 85) to NSF's John Lyman (note reference to "anti-rolling tanks" at page 2, third paragraph from the bottom).

In the preparation of Proposal II, OSU made use of the services of W. C. Nickum & Sons, naval architects in Seattle, Washington. Through this organization OSU's Dr. Burt approached appellant in mid 1963 to determine its price for a license under the Ripley patent 3,054,373. Appellant quoted a price of $24,500 (DX 461) which price was apparently to include some design services in addition to a royalty. Dr. Burt determined that he could not meet this price out of the funds supplied by the NSF (RT 58, 82 and 83). Besides, the Department of the Navy itself objected strongly to OSU attempting to use Government funds for a license under the Ripley patent 3,054,373 (RT 82, DX 83a) because Ripley was an employee

of the Navy at the time he invented the subject matter of the patent (DX 6 and 7), and the Navy retained a free license under the patent with the right to grant sublicenses to others "for all governmental purposes" (DX 6). In fact, the Navy had incorporated the design features of U. S. Patent 3,054,373 in a Navy document entitled "Design Data Sheet," Department of Navy Bureau of Ships (DX 38), which bore the notation: "The U.S. Government is licensed under U.S. Patent 3,054,373 to use patented structure for all Governmental purposes."

The Navy thought that procurement of anti-rolling tanks could be accomplished without difficulties with appellant if it cooperated with OSU in the design of the anti-roll tank, and in a letter to OSU dated September 16, 1963 (DX 127) the Navy stated:

> "After failing to contact you several times by telephone I am writing this letter to inform you that the Bureau of Ships is willing to cooperate in the design of anti-roll tanks for your new research ship.
>
> This cooperation will consist of:
>
> 1) a review of your plans to select a suitable location for the tanks so that you will be able to inform the naval architect;
>
> 2) supplying the necessary data sheet to John Leiby so that he can design the tanks;
>
> 3) a review of his plans and the issuance of these plans by the Bureau of Ships for your use.
>
> I presume that these arrangements will satisfy your needs. If you will let me know when you want to bring the plans to Washington, I will set

up the necessary meeting with the Bureau people."

Mr. Leiby was a naval architect employed by Woods Hole Institute, and the arrangement was that the Navy would issue a contract to Woods Hole Institute for the design of the anti-rolling tank for the YAQUINA (RT 143, DX 397). The NSF was clearly aware of these plans as is evident from the letter of September 26, 1963 (DX 83a) from John Lyman of NSF to the Office of General Counsel of NSF. In this letter, Lyman stated:

> "Today Mr. Jennings of ONR, Code 416, called to say he had been visiting BuShips with Dr. Burt of Oregon State, one of our grantees for conversion, to determine whether such a tank system could be placed on his vessel. The upshot was that ONR will have Jonathan Leiby, the Woods Hole naval architect, draw the plans for use by Burt."

The arrangement with Leiby fell through because of the delay in the design work by Mr. Leiby (RT 69 and 142 and DX 138 and PX 1049). However, since the Government had rights in the Ripley patent 3,054,373, the Navy proceeded to issue a license (DX 7) to OSU to enable it to make use of the Ripley patent 3,054,373, in spite of appellant's efforts to prevent this, such preventive efforts being evident from Admiral J. A. Brown's letter of December 24, 1963 (DX 381). The Navy did not try to withdraw the license in spite of appellant's violent protests (DX 574) to the Navy because of issuance of the license.

The Navy was aware of a possible infringing situation in regard to appellant's patents because appellant's letter (DX 574) stated:

> "Under the circumstances, I must arrive at the conclusion that the Bureau of Ships is encouraging and inducing others to infringe upon our patent position."

Later on, after the grant had been issued, the plans for the YAQUINA were submitted to the Bureau of Ships, the Maritime Administration and the Bureau of Commercial Fisheries in accordance with the requirements of DX 87, second paragraph. The Bureau of Ships commented (DX 144, at part 3, entitled "Stabilization Tank System" at the lower part of page 1 and the top part of page 2) as follows:

> "3. *Stabilization Tank System*
>
> Specifications, pages I-5, 48-3, 48-6 and applicable plans. The designation 'Flume' is a proprietary term and should not be used in these specifications and plans. 'Anti-roll' is a more general term and should be used instead. Page I-5, lines 7-8 should be deleted and the following substituted:
>
> > 'A passive anti-roll tank system, designed in accordance with Bureau of Ships Design Data Sheet DDS-9290-4 will be installed between frames 39 and 41.' "

The Bureau of Ships Design Data Sheet DDS-9290-4 is exhibit DX 38.

It is clear from the above material that from the very beginning of the arrangements for furnishing

OSU with a larger vessel, OSU at all times openly disclosed to the Government the plans for the use and construction of an anti-rolling tank of the passive type, and particularly one related to appellant's patents.

**The Federal Government Had Knowledge of and Consented to the Use of the Yaquina's Anti-Roll Tank and to its Construction**

It is pointed out that knowledge may be imparted to the Government, and its consent given, in many ways. In *Bereslavsky* v. *Esso Standard Oil*, 175 F.2d 148 (C.A. 4, 1949), the court cited with approval the Judge Advocate General's opinion of February 8, 1943 to the effect that:

> " 'Authorization of consent' on the part of the Government may be given in many ways other than by letter or other direct form of communication. * * * the specifications and the contract may be silent with respect to the use of patented inventions. In such event, *if the invention for which claim is made is incorporated in the articles delivered to the United States under the terms of the contract, the acceptance of such articles as complying with the terms of the contract, constitutes 'consent' by the Government* sufficient to bring the articles within the provisions of the Act of June 25, 1910, as amended, supra, and forms the basis for the transfer of jurisdiction over any claim for compensation therefor from the District Court to the Court of Claims, * * *." (Italics appear in original).

The National Science Foundation was aware al-

most from the first that an infringement charge by appellant was possible in connection with the Yaquina's anti-roll tank, as is evident from DX 83a, which is a letter dated September 26, 1963 from John Lyman of the National Science Foundation to the Office of General Counsel of the National Science Foundation.

In the present case the use by Oregon State University of the anti-roll tanks was known and consented to by the Government through the Department of the Navy (RT 67, 68). DX 7, the license from the Government to Oregon State University, recites that the Government is aware that "Oregon State University is procuring the construction of a ship, which ship may incorporate said invention." The "said invention" is previously identified in DX 7 as appellant's U.S. Letters Patent 3,054,373. DX 7 goes on to recite.

> "Whereas Oregon State University is presently and may hereafter be engaged in the conduct of *research for* or in behalf of the Government and the *Government desires* that the ship be used in the conduct of such research. . . ." (Emphasis added).

The Government then issued the license to appellant's patent in question.

DX 7 conclusively shows *knowledge* on the part of the Government that Oregon State University contemplated the incorporation in the Yaquina of an anti-roll tank that might infringe the cited appel-

lant's patent and shows that the Government consented and authorized such use and manufacture by way of the license, DX 7.

The Government was further aware of appellant's position in regard to the anti-roll tank in the Yaquina by Appellant's correspondence with the Department of Navy which commenced on December 24, 1963 in a letter by the Navy to McMullen confirming McMullen's visit to the Bureau of Ships (DX 381) and was carried on for some time, terminating in a letter of January 27, 1965 (DX 574) from McMullen.

It is specifically pointed out that Change Order 6 (DX 22) relating to the construction of the anti-roll tank in the Yaquina was sent to the Government and approved by the Government. Agreed Fact 31 (CT 103) states:

> "On August 28, 1964, the National Science Foundation authorized the expenditure for Change Order 1-6 in a letter to Dr. Burt from Richard G. Bader, Program Director for Oceanography Earth Sciences Section, National Science Foundation."

Burt also testified that the Government was aware of the import of Change Order 6, and Rittenhouse's letter of August 26, 1964 to Dr. Burt when Burt was at the National Science Foundation (DX 218) specifically requested that Burt find out whether the National Science Foundation had any objection to the incorporation in the Yaquina of the anti-roll tank in view of the expected difficulties with the plaintiff. Burt so inquired and found no objection (RT 93, 94).

The various agencies of the Federal Government bent over backwards to assist in the installation of the accused anti-roll tank in the Yaquina. Agreed Fact 21 (CT 101, 102) states:

> "On September 16, 1963, Feenan Jennings of the Office of Naval Research informed Dr. Burt, in a letter, that the Navy would cooperate in the design of the anti-roll tank to the extent of reviewing the plans as to location of the tanks in the ship, submitting the necessary data sheets to John Leiby, naval architect of Woods Hole Oceanographic Institution, to enable him to design the tanks, and lastly, review Leiby's plans and issue the plans through the Bureau of Ships."

This letter of September 16, 1963 (DX 127) clearly shows knowledge on the part of the Navy of the infringement possibilities in question and shows the cooperative attitude of the Navy in regard to the matter. Dr. Burt testified (RT 63) that the "data sheets" referred to in the Jennings letter of September 16, 1963 were the Bureau of Ships Design Data Sheet (DX 38) and these data sheets specifically *refer to appellant's patent* 3,054,373, and thus it is clear that the Navy had in mind assistance in the conversion and use of an anti-roll tank of the general type in appellant's patent 3,054,373.

That the Navy was aware in 1963 of the appellant's position in regard to the anti-roll tank of the Yaquina is further evident from the letter of December 24, 1963 from the Navy to McMullen concerning such anti-roll tank (DX 381). Yet the Navy contin-

ued its cooperation with OSU and the NSF in making possible the construction and use of the Yaquina's anti-rolling tank.

The Navy thereafter not only issued a license under appellant's patent (DX 7) but later on went so far as to amend Navy Contract Nonr-1286(10) (DX 14) on May 9, 1966 to provide for the payment of appellee OSU's attorneys' fees in the present suit.

**The Government's Issuance of the Authorization and Consent Papers, Defendants' Exhibits 1, 2 and 3, Is Sufficient Alone to Dispose of the Case.**

DX 1, 2 and 3 are specific authorization and consent papers issued by the United States agencies, DX 1 being from the National Science Foundation and dated September 26, 1966; DX 2 being from the Department of Navy, dated March 15, 1966; and DX 3 being from the United States Atomic Energy Commission, and dated May 2, 1966.

It is pointed out that these papers are an *assumption of liability* on the part of the Government in the present case. They are an admission by the Government and binding on it because the Government, by issuing these papers, holds itself out as being liable in the Court of Claims for *any* and *all* infringement that may have occurred in connection with the anti-roll tanks on the Yaquina. While these authorization and consent papers were formally issued after the present suit was brought, it is clear that there are references in the papers to *prior knowledge* of the

Government regarding the Yaquina's anti-roll tank manufacture and use. For instance, in DX 1, the letter states:

> "According to the Foundation records, the facts of the situation are as follows:
>
> In furtherance of the national oceanographic program, the motor vessel YAQUINA was extensively modified under grant from the National Science Foundation to fit it for use as an oceanographic research vessel. In the process of this modification, *certain anti-roll tanks* or devices were installed with the *knowledge, authorization, and consent of the National Science Foundation.* This letter is to *confirm* that such authorization and consent was given with the knowledge on the part of the staff that the anti-roll devices installed were *covered by one or more United States patents.*" (Emphasis added).

DX 2 (the Navy authorization and consent letter of March 15, 1966) only *supplemented* the authorization and consent *already given* in contract Nonr-1286(00) (DX 4). This authorization and consent first appeared by way of amendment of August 5, 1955, clause 46, entitled "authorization and consent" which stated:

> "The Government hereby gives its authorization and consent for *all use and manufacture* of any patented invention in the performance of this contract or any part hereof, or any amendment hereto, or any subcontract hereunder (including any lower tier subcontract)" (Emphasis added).

This authorization and consent paragraph continued

in the contract from that time on and is still in the contract (Agreed Fact 13, CT 100).

Returning again to DX 2, this paper indicates that it is to supplement the authorization and consent already given "assuring you that you will be able to continue the *use* of the vessel YAQUINA in performing oceanographic research work for the Office of Naval Research," (emphasis added) and further on states that the "Office of Naval Research specifically authorizes and consents to your *past, present* and *future use* of the anti-roll tank now incorporated in the YAQUINA whether or not such anti-roll tank may infringe, or may have infringed, *any patent* upon which the plaintiff claims patent infringement in Civil Action No. 65-261. . . ." (emphasis added). DX 2 also states that the "Authorization and consent has been and is given for the purpose of invoking the provisions of 28 U.S.C. 1498."

DX 3, the authorization and consent paper from the Atomic Energy Commission, is similar to DX 1 and 2 in authorizing and consenting to the past, present and future use of the Yaquina and its anti-roll tank.

In summary, the National Science Foundation authorization and consent paper (DX 1) is specifically an *admission* by the United States Government against its interest, making the United States assume liability in the Court of Claims for the manufacture and use of the Yaquina's anti-rolling tank. The statement by the National Science Foundation that it had

knowledge and consented to the manufacture of the Yaquina's anti-rolling tank and to its use, even though it was aware of appellant's patents, leaves no doubt that the Government had knowledge of the manufacture and use of the anti-roll tank from the initial stages on.

**28 U.S.C. 1498 is an Eminent Domain Act and thus it is Immaterial When the Authorization or Consent of the Government is Given.**

28 U.S.C. 1498 is an *eminent domain act.* Thus the Government makes an assumption of liability for any infringement that has occurred when 28 U.S.C. 1498 is invoked. Therefore, it is *immaterial when* the authorization and consent of the Government is given, although in the present case it is pointed out that the Government had consented to the manufacture of the Yaquina's anti-rolling tank and its use *before* the issuance of DX 1, 2 and 3. Nevertheless, even if this prior consent had not existed, DX 1, 2 and 3 *alone* would be sufficient to dispose of the present case because they are effective *whenever* they are granted as an eminent domain taking by the United States Government.

That 28 U.S.C. 1498 is an eminent domain statute is clear from the case of *The Irving Air Chute Co., Inc.* v. *United States*, 93 F. Supp. 633 (C. Cls., 1950). In this case the plaintiff sued the Government in the Court of Claims because of patent infringement, and the court said:

"The Government urges, *rightly*, that 28 U.

S.C. 1498 is in effect, an *eminent domain statute* which entitles the government to manufacture or use a patented article becoming liable to pay compensation to the owner of the patent . . ." (emphasis added).

* * * * *

"The eminent domain theory of the statute is supported by expressions of the Supreme Court of the United States. See Crozier v. Krupp, 224 U.S. 290; Waite v. United States, 282 U.S. 508."

Reference is also made to *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331 (1928), wherein the court had before it a matter concerning a case where the assignee of a patent sought to bring suit against the Government in connection with infringement of the patent by Government contractors during a short period after the passage of the Act of July 1, 1918. At page 345, the court explained the purpose of Congress in passing the Act of 1918:

"To accomplish this governmental purpose, Congress exercised the power to *take away the right of the owner of the patent to recover from the contractor for infringements*. This is not a case of mere declared immunity of the Government from liability for its own torts. It is an attempt to *take away* from a private citizen his lawful claim for damage to his property by another private person which but for this Act he would have against the private wrongdoer." (Emphasis added).

Reference is further made to the recent opinion of the Comptroller General of the United States No.

B-136916 of September 12, 1966 (reported at 151 USPQ 218) wherein the Comptroller General stated:

> "The courts have recognized section 1498 as constituting in effect an *eminent domain statute*, which vests in the Government the right to use any patent granted by it upon payment of reasonable compensation to the patent holder. Richmond Screw Anchor Co. v. United States, 275 U. S. 331 (1928); Stelma, Incorporated v. Bridge Electronics Co., 300 F.2d 761, 132 USPQ 665 (1962). The act was intended to give patent holders an adequate and effective remedy for infringement of their patents *while saving the Government from having its procurement programs thwarted, delayed or obstructed* pending litigation of patent disputes. Bereslavsky v. Esso Standard Oil Co., 175 F.2d 148, 82 USPQ 334 (1949)." (Emphasis added).

In *Bereslavsky* v. *Standard Oil Co. of New Jersey*, 82 F. Supp. 939, 80 USPQ 353, (D. C. Md., 1949) the argument was made that at the *time of entering into the contract* between the United States and the defendant, there was no authorization or consent to the inclusion in the motor fuel, which was supplied to the Government, of the patented ingredient for which plaintiff sued defendant. The plaintiff argued that since there initially was no authorization or consent, the Government could not thereafter give its authorization and consent. The court, however, stated:

> "If there was any merit in the plaintiff's argument, namely that *intention to condemn* on part of the government is a *prerequisite* to the

> application of the statute, then the plaintiff would have been entitled to obtain an injunction during the war against the defendant, but it is perfectly obvious that an attempt to do so would not have been successful." (Emphasis added).

While retroactivity is not specifically mentioned in the case of *J & G Development Co. v. All-Tronics, Inc.*, 198 F. Supp. 392, 131 USPQ 162 (D.C. N.Y., 1961) 28 U.S.C. 1498 is *given* a retroactive effect because the court held that the *mere sale* of equipment to a Government contractor was sufficient to *bar* suit against either the manufacturer or the Government contractor.

## APPENDIX C

**Yaquina's Anti-Roll Tank Was Used for the Government with its Knowledge and Consent and This Alone is Sufficient to Dispose of the Case Without Requiring a Finding that the Tank was Manufactured for the Government.**

The proof adduced at trial clearly shows that *all* uses of the Yaquina's anti-roll tank were by appellee State Board (through OSU) solely for carrying out important oceanographic work for the United States, pursuant to contracts and grant agreements with Government agencies (RT 97 and DX 28, 573b, 371, 39 and 376). This use was known and consented to by the Federal Government as outlined in Appendix B of this brief.

It is obvious from the above facts that the Yaquina's anti-roll tank was *used for* the Government with its knowledge, consent and authorization. Title 28 U.S.C. Sec. 1498 states that where the *use* of an invention is for the Government, plaintiff's *entire* remedy against all those having any connection with the accused device can only be in the Court of Claims. The Congress, in writing 28 U.S.C. 1498, left out of the first paragraph thereof any mention of who might be excused in connection with the use or manufacture for the Government. This paragraph refers only to the use of an invention and specifies that a patent owner's *entire remedy* is in the Court of Claims. It is thus clear that 28 U.S.C. 1498 is written so that *use alone* is sufficient to effect the dismissal of a case and that appellant has *no remedy* in the United States District Courts against anyone in connection

with the alleged use *or manufacture* of the accused anti-roll tank and appellant's exclusive remedy is in the Court of Claims. *Richmond Screw Anchor Company* v. *United States*, 275 U.S. 331, p. 343.

It is pointed out that there are *no cases* in which *services* have been performed with infringing equipment by a defendant for the Government wherein the court has attempted to apply the "manufactured for" provision to the situation. In *Consolidated Vacuum* v. *Machine Dynamics*, 230 F. Supp. 70, 141 USPQ 623 (D.C. Cal., 1964) the defendants sold shock testing equipment to companies holding Government contracts and subcontracts for the purpose of testing missiles and other devices which were being manufactured by such Government contractors and supplied to the Government. Actually, the matter came before the court on defendants' motion to dismiss the plaintiff's complaint on several grounds, one of which was to the effect that the court lacked jurisdiction to hear the matter because of the protection afforded by 28 U.S.C. 1498. The court held against the defendant because "it appeared that the government did not directly authorize, *consent to*, nor *know of* their use" (that is, the Government did not know of the use of the shock testing equipment by the Government contractors). The court went on to say:

> "The court finds the manufacture here was *not* with such consent of the Government—express or implied—as to vest sole jurisdiction in the Court of Claims." (Emphasis added).

However, the court did not require that the Gov-

ernment have *title* to the equipment, only that the Government *consent* to its manufacture. It is clear that had there been knowledge or consent on the part of the Government to the *use* of the equipment in question, or had the Government had knowledge of the manufacture of the equipment for the intended use, the defendant would have prevailed. In any event, in the present suit, the Government not only *paid* for the Yaquina's anti-rolling tank (RT 95, 96) but *consented* (DX 220, Agreed Fact 31, CT 103) to the manufacture thereof by approval of Change Order 6 (DX 22). Change Order 6 specifically referred to Nickum drawing 3130-S11-3 (DX 591b) which showed the construction of the accused anti-roll tank; thus consent of the Federal Government to the construction of the accused anti-roll tank is clear. It is evident therefore that the facts of the present case would more than fit all the requirements in the Consolidated Vacuum case above discussed.

*Wood* v. *Atlantic Gulf & Pacific Co.*, 296 F. 718 (5 Cir. 1924) is another case where the defendant was performing services for the Government, specifically dredging services, with infringing equipment. The court merely found that there was no evidence that the Government authorized or consented to, or had knowledge of the use of the patented equipment by the contractor. There was no requirement by the court that the *Government* should have *title* to the equipment used by the defendant.

In *Allgrunn* v. *United States*, 67 C. Cls. 1, (1929)

the question before the Court of Claims was whether the use, in the construction of guns for the Government, of patented tools and a patented method by a Government contractor was "use of the invention *by* the Government" (emphasis added) under the Act of October 6, 1917. It is pointed out that the Act of October 6, 1917 was even more restrictive than the Act of 1910 (as amended by the Act of 1918) in that the latter Act as amended required only that the use be "*by* or *for* the Government" (emphasis added) whereas the Act of 1917 required that the use be "*by* the Government" (emphasis added). The court summarized the case as follows:

> "The plaintiff, however, in addition to the above contention, insists that, as a proposition of law, compensation for use follows from the *use by the contractor* of the patent in suit, with the *knowledge* and *acquiescence* of the Government, and fortifies this contention with the statement that the record shows that the authorized Government officers in charge of the contract *knew* of the use made of the invention, not only acquiesced therein but encouraged its use, recommended to all the contractors that it be used; . . ." (emphasis added).

The court further stated on page 46:

> "The inspectors could not escape knowledge of use; they were present from day to day and observed the process of manufacture."

The court further stated:

> "We found nothing in the record indicating a lack of knowledge or acquiescence in the use

of the invention for the Government by the contractors; in fact no claim of ignorance in this respect is made."

The court went on to find that the use *by the contractors* of the rifling method and tools with the acquiescence and consent of the Government, was use *by the Government.* Certainly in the present case where the *use* of the anti-roll tank on the Yaquina was with the acquiescence and consent of the Government, such use was at least *for* the Government, and under *Allgrunn* v. *United States*, is use *by* the Government.

## APPENDIX D

### The Government Had Control Over the Use and Disposition of the Yaquina

Grant agreement (DX 10) states at page 2:

"a. (1) The grantee shall use the vessel primarily for the conduct of basic scientific research and *if the Foundation shall determine that she is not being used sufficiently and efficiently for research, the grantee will convey her to the U. S. Government or its nominee without further cost* to the Government . . ." (Emphasis added).

At DX 10, page 2, the grant agreement states:

"(2) The grantee shall *not dispose* of the vessel without the prior approval of the National Science Foundation."

At page 2 of DX 10, paragraph "e", the grant states:

"During a period of national emergency declared by the President or the Congress, the grantee will, should the cognizant Federal Government executive agency decide that the interests of the national defense require it, *convey to the Government*, title and ownership of the vessel without further cost to the Government. . . ." (Emphasis added).

In the transfer of the hull of the vessel as a Government surplus item to OSU, in accordance with DX 584-590 there are additional restrictions. The second page of DX 588 under Part 19a, paragraph 3, states:

"There shall be a period of restriction which shall expire after such property has been in use for the purpose for which acquired for a period of four years, except that the period of restriction on motor vehicles will expire after a period of two years of such use."

Paragraph 5 states:

"In the event such property is *sold,* traded, leased, loaned, bailed, encumbered or otherwise disposed of *during the period of restriction without prior* approval, the donee, at the option of the department, shall be *liable* to the United States of America for the proceeds of the disposal or for the fair market value of the property at the time of such disposal, as determined by the Department." (Emphasis added.)